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With Our Readers

Sirs:

Abolition of involuntary unemployment should not be an impossible task in a country where inventive genius has so high a rating. Yet five years have passed and we still hear that nine or ten millions can't get work. Monetary relief is an evil that can't be justified except as a temporary emergency. Where lies the trouble? Are any of those employed getting too large a share of labor's products? This question goes deep for an answer, since it includes executives. The very fact that relief can be given is a proof that enough is now produced for all and the idle millions would gladly make up for any shortage of any products.

President Roosevelt evidently believed that by the code method industry would be assured of a fair profit and hence would willingly aid in abolishing unemployment by reducing hours and increasing wages. However, the result has been that the wages and hours have not been adjusted as it was intended.

The attempt to get the co-operation of the leaders of industry in the solution of the unemployment problem is a complete failure because their desire and knowledge is production at the lowest rate and with the fewest workers. Recently the steel industry spent millions to install an invention by which four men can do the work of 125. Thus supply can be increased while demand is reduced—at least indirectly, since depression is aided.

The steady lowering of the age limit for workers is a factor that aids the cry for relief and prevents prosperity.

We may compare the matter to a large family in which only half of them are required to provide the necessaries of labor, the rest furnishing luxuries that all may enjoy. But when too many luxuries are produced, instead of arranging it in a sensible way, some are forced to stop work altogether and to become objects of charity.

Were every able person put to work it is plainly apparent the demand for everything produced would increase. To say it is impossible to give employment to all is foolish, since the only real problem is distribution, and demand is practically unlimited, but money is lacking.

The proposal that the government shall establish a lower scale of wages for work that it furnishes, virtually declares private concerns pay more than they should.—A. S., Chicago, Ill.

You put your finger on the difficulty when you say distribution is the real problem. If we could reduce distributing costs half as much as we have succeeded in lowering production costs, enduring prosperity would be ours.—Ed.

Sirs:

It seems to me after reading the gold decision this evening, that the Supreme Court Justices may have to reduce their scale of living within the next year.

Inflation has been strangely held back in the past due to some influence which the brain trust could not understand. My first reaction to the decision is that this something has now been removed.

Feeling that the court has now destroyed the basis of civilization, that is the power of contract, I have been thinking of the following quotation:

Mikado Charles Evans,
"*My object all sublime*
I shall achieve in time—
To free the criminal of the crime—
The criminal of the crime;"

B. B. J.—New York.

"It does not seem too much to say the Constitution is gone," states Associate Justice of the Supreme Court James C. McReynolds, member of the dissenting group of the Court on the gold clause cases. "We are confronted with a condition in which the dollar may be reduced to 50 cents today, 30 cents tomorrow, 10 cents the next day and 1 cent the day after." Justice McReynolds' unusual statement following the decision carries more of a ring of sincerity that the remarks of a member of the Lower House of Congress who commented "A slap at bloated bondholders who are seeking their extra pound of flesh." Supreme Court Justices are appointed for life—the members of Congress are not so well situated, and their remarks must be made in terms of potential votes. We agree with our reader's view that inflation has been held back. One of the characteristics of an impending inflation is "the quiet before the storm," however, and in this respect the brain trust appears to have been unusually efficient. The matter of our scale of living will be forcibly impressed upon all of us before long.—Ed.

Sirs:

I read with the greatest of amusement that English and other foreign holders of United States Liberty Bonds are "disappointed" over the action of the Supreme Court in ruling that they cannot recover $169 for every $100 United States Bond. I am under the impression that these bonds were not offered for sale abroad at all, and the bonds now in foreign hands were, in effect, bought in this country.

The majority of United States Bonds held abroad are likely the Liberties, sold in the United States to help England and France win the World War. Both France and Great Britain have informed us that these war debts will not be paid, and it would seem that the best we can look for is possibly five or ten cents on the dollar eventually if we are lucky. Yet, it is reported that foreign holders of our bonds are up in arms over the Supreme Court decision. This world grows more complex every day.—F. R. S., Wilmington, Del.

Sirs:

Your article entitled "The Case Against The Utilities" in the last issue of your magazine pleased me to no end, and I commend you for your fairness in printing both sides of what I consider a greatly over-rated issue. The conclusion to the article by Mr. Brandt that "if the utilities want to stave off public ownership they had better put their cards on the table. . . . accept the deflation that almost all other business has gone through. . . . and buckle down belatedly to the hard and slow job of rebuilding a public good will that they have done little to save" hits the nail on the head.

I, for one, am tired of hearing about the millions of insurance policy holders, white collar workers, widows and orphans, who are "entirely dependent on the income from their common stock investments in (pyramided) public utilities." I own a few shares of a public utility holding company that carries the dubious distinction of having been one

(Please turn to page 594)

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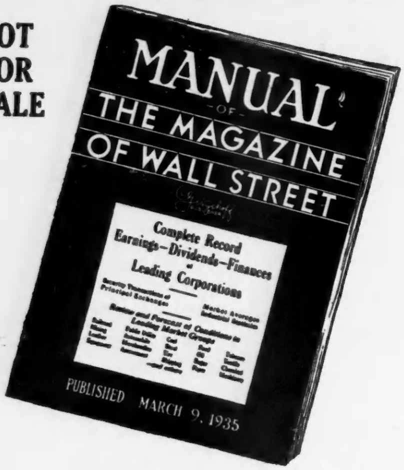

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——Bond Market Prices for 1934.
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WITH THE EDITORS

When Is a Stock Cheap?

"WHEN is a stock cheap?" asked a bewildered investor. "A usually well-informed friend is slightly critical of a certain industrial common stock that I am considering, because he believes it rather high on an earnings basis. This company earned slightly more than $3 a share on the stock last year and the stock is currently selling in the late seventies, paying a conservative dividend that is being earned."

"I saw my well-meaning friend's point, and was inclined to agree that the stock was not exactly cheap, until he suggested a certain railroad stock as a replacement, and then my stock appeared to be on the bargain-counter. The rail which he suggested has a name that is known the world over, but unfortunately it has not earned its fixed charges for the past few years, and, of course, reports huge per share deficits on the common stock. The total of the bond maturities which it must face over the next fifteen years represents a sum which makes some of the recent government appropriations seem trivial."

"Again," asks the bewildered speculator-investor, "When is a stock cheap?"

We sympathize with this bewildered investor, and suggest that he invest in the "high-priced industrial" and forget about the railroad stock suggested as more attractive. With evidences of business improvement appearing, it is easy to forget that the status of the railroads has changed considerably in the past decade, and that their altered economic outlook is not due entirely to the depression. Available freight traffic, it is true, is far below the levels of the 1926-29 era, but of the traffic now available, the roads must share a larger portion with the motor trucks. The passenger business of the railways has shown an almost steady decline since 1923 due to automotive and bus competition. During the present period of rising prices for materials, and higher labor costs due to the pension bill, the railroads are handicapped by fixed rates and higher depreciation charges.

Statistics and information concerning railroads are apt to mislead investors unless due regard is given to the changed outlook for the rails and the data are properly weighed. Slight increases in loadings over a year ago will not mean much for the weak roads owing to higher operating costs. Some relief may come through possible legislation bringing all transportation facilities under government regulation but this will not mean necessarily that traffic lost to other forms of transportation will be recovered by the railways, as many industries turned to the motor trucks because of their increased efficiency. Potential investors may lose a momentary upturn by ignoring the possibilities in railroad common stocks, but economics and sound common sense indicate that many of these stocks are not attractive or cheap as compared to well-managed industrial issues with current earning power.

In the Next Issue

Where Is the Money Coming From?

How the Minority Vote in the Gold Decision May Affect Government Financing—Business and Investments

By THOMAS L. GODEY

Does Motor Activity Mean Prosperity for Manufacturers?

What Does It Mean to Business?

By HENRY RICHMOND, JR.

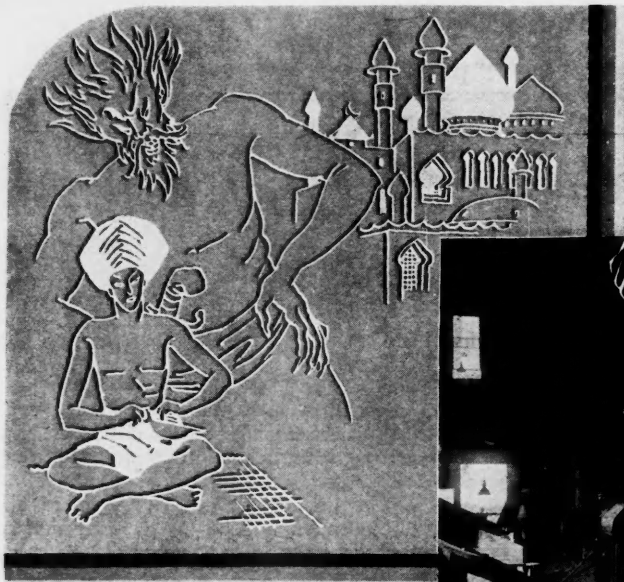
The Owners of the Country's Leading Enterprises

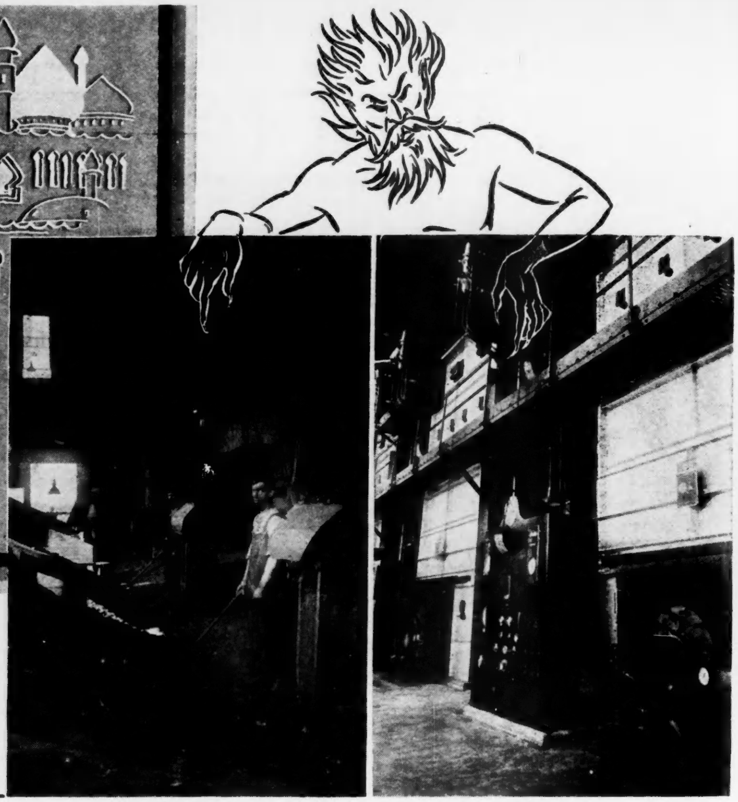
By GEORGE M. RATHBONE

Favored Stocks in Favored Industries

Investment Opportunities for Profit, Income and Protection—Strong Companies in Strategically Situated Industries

Selected by THE MAGAZINE OF WALL STREET Staff





Aladdin

The Old *The New*

doesn't live here any more . . . .

HE DEPARTED this earth centuries ago. But in his heyday, he was a big shot.

He had but to rub his lamp and his wishes were fulfilled. Jewels, gold, palaces. But what could his gold buy him? And who, today, would live in one of his palaces? No plumbing . . . no refrigerator . . . no heating plant . . . no electricity . . . no cars in his garage . . . no *garage*. When Aladdin traveled, he got a lift on a camel and went bouncing over the landscape at a fast walk.

We have none of Aladdin's sort of magic today, but there is something akin to magic that puts within reach of any average family in America, modern comforts that would have seemed like miraculous treasures to Aladdin and his people.

Time payment financing has literally transformed our pattern of life within the last twenty-five years. It has broadened markets for manufacturers . . . increased production . . . encouraged invention . . . lowered costs and selling prices . . . created work for millions . . . put money in circulation. It has enabled thousands upon thousands of families to enjoy automobiles, radios, automatic refrigerators, gas and oil burning heating plants, and numerous other modern devices for the promotion of health, comfort and happiness.

☆ ☆ ☆

The magic that creates prosperity through millions of retail transactions, can work its wonders for industry also on a mammoth scale and in a vitally important way.

In thousands of mills, factories, mines and power plants, the mechanical equipment for producing materials and goods is worn out or outmoded by new inventions and improvements . . . is idle, or is being operated at a cost that eats up profit. Department of Commerce figures show that billions of dollars worth of industrial equipment is in this deplorable condition.

Many companies lack capital to make needed replacements. Others are reluctant to weaken their current financial position. Yet if all would act this year to modernize their equipment, the mass expenditure would total billions of dollars . . . create work for millions of skilled and unskilled labor . . . and speedily put the country on a sound industrial footing.

Commercial Credit Company is ready to do its part in helping to finance needed purchases of capital goods, and solicits inquiries from every industry interested in this phase of Commercial Credit service.

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The Trend of Events

SO SAYS THE HIGH COURT

THE Supreme Court has ruled that while Congress committed an act of repudiation in abrogating the gold clauses of Government obligations that is a matter that rests with its conscience. The abrogation stands. Individuals may seek relief by proving that they have suffered losses, but at present no loss is demonstrable; and Congress has ample means of preventing any loss experienced thereafter from being collectible. As for private contracts containing gold clauses, they have no standing whatever, now or ever.

The stain on the national honor is unquestionable, and will likely have demoralizing consequences which it is not now possible to measure. But the decision regarding private contracts is equally unquestionable; it is fundamental that no citizen has the right to define what a dollar is. If the private contracts stipulated payments in gold bullion, silver, or any other property, they would stand as written in the bond—but they did not; they undertook to define the dollar, which is the sole business of Congress under the Constitution.

The results of the decision in a business way, are what now concern us. In the first place all fear of a terrific disruption of the business structure, through an unbearable increase in the number of dollars that would have to be paid to discharge private contracts, has been happily removed. The pall which has hung over the markets since the suits were instituted and particularly since the Supreme Court took them under consideration is eliminated. On the side of the Government, a menacing possibility of a huge addition to the dollar debt has been disposed of. Both of these certainties should contribute now or later to business confidence and, so, to business revival.

On the other hand, the effective action of the Court in sustaining the devaluation of the dollar, which was an outright act of monetary inflation—in intention, if not in effect—will be a powerful stimulus to further inflationary measures. Congress is authoritatively reminded of its sovereign powers to do with money as it pleases and of its consequent authority to seek to effect economic changes through monetary manipulation.

If the present valuation of the gold dollar were final the decision would inevitably conduce to the attainment of international as well as domestic monetary stability and business reassurance. But the President still has power to reduce the gold content of the dollar as far as fifty cents, and there is little chance that the Congressional conscience will stand in the way of another act of devaluation. On the other hand, the Government is left free to make such reprisals as it pleases should a war of currency depreciation arise between nations.

The situation presents an opportunity for an international monetary agreement. The cheapened dollar is now established in law and judicial decree. There is

not the slightest chance that it will ever be revalued and there is no convincing practical reason why it should be. We should promptly seek international monetary stabilization, but failing in that we should proceed to anchor the dollar where it is by a definitive act of Congress. We agree with Mr. Hoover that nothing the Government could do would be so contributive to early and complete recovery.

BABY BONDS

IF present plans mature, the Federal Government will place on sale next March 1 an experimental issue of "baby bonds". They will be sold in denominations as low as $25; on a discount basis; and of ten years maturity. Thus a $100 bond could be purchased for $75 and redeemed at the end of ten years for $100. The interest basis is 2.9 per cent, compounded semi-annually if the bond is held for the full ten years. The bonds will not be transferable, but the Treasury will redeem them at any time after six months. However, those who wish to obtain cash for their investment prior to maturity will get considerably less than a 2.9 per cent return. In other words, a short-term commitment will yield less than one made on long-term.

There are several aspects to this proposed "baby bond" issue—the Government's point of view, that of the investor, and, finally that of the country at large. From the Government standpoint the scheme is wholly advantageous. Federal outgo is a great deal more than Federal revenue and is likely to remain so. Money, therefore, must be had and, having already syphoned out of the banks a dangerous percentage of deposits, it is logical to try and pick up some of the loose investment money lying about the country. Also, if these "baby bonds" were widely distributed among the public they would remain so almost regardless of outside circumstances. The situation is different with the Government's present obligations, which for the most part are in the hands of banks, and which conceivably might have to be liquidated in large blocks in the event that bank credit were really needed by business.

From the point of view of the investor, it is hard to see how "baby bonds" have any material advantage over savings banks and other investment mediums which have been designed to cater to the small investor safely and satisfactorily.

For the country at large "baby bonds" possess no very clearly defined merit. The Government is borrowing altogether too much as it is, and there really does not seem to be much difference between borrowing in big denominations from the banks and borrowing in small denominations from the little fellow. Persisted in, the practice is as unsound one way as another. At the same time, bonds of small denomination issued by the sovereign monetary power, have a hidden menace. The Government says that these bonds are to be non-transferable and undoubtedly the first issue will be so ordered. They will not, therefore, be used at present as so much currency. But what is to prevent the regulations from being changed one day, and then? One flood of transferable "baby bonds" equals one flood of fiat money, or another dose of inflation.

PURCHASING POWER A MATTER OF WORK—NOT EDICT

IT is high time this country got one thing straight: fundamentally, purchasing power is the result of hard work; no man, or body of men, can *create* purchasing power without working for it. The following is a quotation from the opinion read by Justice McReynolds, of the minority, in the recent "gold clause" cases: "Under the challenged statutes it is said that the United States has realized profits amounting to $2,800,000,000, but this assumes that gain may be generated by legislative fiat. To such counterfeit profits there would be no limit; with each new debasement of the dollar they would expand. Two billions might be ballooned indefinitely—to twenty, thirty, or what you will." This affords a clue perhaps to the reason for the failure, or at any rate non-success, of the Government's spending schemes. For example, the benefits which have been distributed to farmers over the past year are largely counterfeit purchasing power. That part of the benefits that came into being as a result of the monetary devaluation certainly is, while that part of them that came from general taxation was merely lifted from the pockets of the non-farmers. The true purchasing power of the farmer is to be found in cotton, wheat and hogs: the true purchasing power of the industrialist in buildings, machines and clothing. How can any government, which is essentially a parasitic organism for it produces none of these things, only consumes them, enchance by edict the country's true purchasing power even as much as one iota?

ORGANIZED LABOR'S GRAVE ERROR

ORGANIZED labor will not gain anything in public esteem by its effort to convert unemployment relief into a wage pork barrel. For the government to compete with industry by paying the prevailing wage is an iniquity and contrary to the purpose of the work relief plan which is to take 3,500,000 employable persons now idle on relief rolls and put them to work on government jobs of a more or less productive nature. Obviously, a man engaged in hard toil should be paid more than a man who does nothing. On the other hand, to pay him so much—as the C W A workers were last year—that he receives more than is paid to men on the same kind of work is to upset regular employment and going industry. It is not reasonable for relief employment to be made the means of creating unemployment.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 540. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, February 25, 1935.

As I See It ~ By Charles Benedict

The New Deal—1700 Years Old

THERE is nothing new under the sun. In the year 284 A.D., Diocletian, a soldier of humble origin, ascended the imperial throne of the Caesars. The country was in the throes of economic difficulties—the result of over-expansion. With a magnificent contempt for the helplessness and bewilderment of business and finance, he set out on a broad program of adjustment and reform through the media of price regulation, public works and increased taxation. He was determined to give Rome a new deal,—and he succeeded. His efforts to control nature and human nature by edicts ruined the Empire. His reign saw the last of the triumphs. "Ever after this period," says the historian Gibbon, "the emperors ceased to vanquish, and Rome ceased to be the capital of the Empire. It is interesting to note how closely Diocletian's well-meant "reforms" resemble the popular reforms of today. Here are some of them, and the reader can easily supply the analogies:

1. Abolished republican principles.
2. Made the Roman Senate (congress) a political nonentity.
3. Destroyed local self-government and centered all public affairs in himself and his three lieutenant-emperors.
4. Established universal codes of wages and prices.
5. Raised taxes to unheard of heights—simplifying the system to one of a virtual levy on capital, which grew heavier as it became simpler.
6. Poured the revenues into the most ambitious public works.
7. Devalued gold, established copper as the money standard, drove out gold and introduced silver.
8. Multiplied government agencies to an increditable degree.
9. Appointed many "conservators" and a horde of "deputy administrators" and other civil servants.
10. Issued rabble-rousing edicts reprimanding "the money changers."
11. Sought diligently to counteract "overproduction."

Diocletian's Code completely failed. While it was being enforced the tax-eaters lived in luxury, and the tax-payers were ruined. His obsession for building baths, palaces, churches and public buildings reached its zenith when as many people were on the public payrolls as off them. One half of the population worked to pay the other half. Under such circumstances, the condition of the masses, instead of improving, grew worse. "Luxury above and wretchedness below—the twin enemies of civilization—became more evident under Diocletian, even though he was a much more humane and considerate ruler than a long line of his imperial predecessors." He believed that taxation was a potent instrument of "social justice." It was potent enough, but for such social injustice that the economy of the Empire was irretrievably ruined. The administration of social justice required such an army of well-paid bureaucrats that the inevitable taxes crushed the creators of wealth.

Laissez faire, this reforming emperor discovered (1700 years before the brain trust) to be a snare and a delusion. In one of his edicts he explains that it was not to be expected from "natural justice" that "humanity detected in most odious crimes, might work out its own reformation: for we thought it far better that the censure of intolerable robbery should be removed from the court of public opinion by the feeling and decision of those men, themselves, who rush daily from bad to worse, and in a sort of blindness of mind tend toward crime against society, and whom, enemies alike to individuals and to the community, guilty of most atrocious inhumanity, their gross criminality had exposed to punishment."

And so, of course, prices must be fixed—"a maximum should be fixed, in order that, when any stress of higher prices made its appearance—which omen we prayed the gods might avert—avarice might be checked."

Ostrander Photo, from Nesmith.

As early P W A advocate, Diocletian poured the riches of his empire into works like this

Merchants were especially advised that "moderate profits" should be the "customary mode of action," "since they should know that in times of scarcity the fixed price of commodities can not be exceeded." The Emperor expresses the philosophy of all dictatorial exponents of sumptuary laws when he says: "Rarely indeed have human transactions been found beneficial to the many, and ever has salutary fear been proven the most equitable teacher and regulator of civic duties." Capital punishment was, therefore, decreed for any violator of the rule of prices, so *(Please turn to page 593)*

The Gold Decision and Your Investment Policy

Removal of Uncertainty Places Market in Realistic Position Toward Business

By A. T. Miller

Three Big Factors in the Market's Trend

The Course of Business in the Second Quarter

The Present Legislative Drive Against Utilities

Prospects and Possibilities of Inflation

SHORTLY before noon on Monday, February 18, nine old men filed slowly into a Washington courtroom. A distinguished audience rose as the clerk and deputy clerk bowed to each in turn. It was a dramatic moment. The hush in the courtroom virtually existed throughout the whole country; indeed, the world held its breath as Chief Justice Hughes without preliminaries announced that the gold cases would be read.

It has long been customary in the Supreme Court for opinions to be read first: the decision following afterwards. This time, however, a summary of the Court's findings was announced first, while the reasons therefor were given later. As the news of the first decision—that the Baltimore & Ohio Railroad would not be required to pay off a gold clause bond at the rate of $1.69 for each $1 of face value—came over news services and telephone wires, the effect upon the stock market was electrical. Prices jumped; in certain of the more volatile issues there were several points between sales. The action of the railroads was particularly vigorous, which was logical enough as this is the group that would have been most adversely affected had the decision been other than what it was.

However, the initial frenzy was short-lived. Its death was hastened by newspapers which interpreted "Government censured" as meaning that the gold clause had been upheld. For a time all was confusion as traders, thinking that the first reports had been in error, hastened to lighten their positions: meanwhile more remote parts of the country were buying on the strength of the original, and correct, reports.

When everything was straightened out, it seemed that the market had no heart for further rally. Yet the terrific suspense which had been overhanging, not only the security markets, but the commodity markets and business in general, since the early part of January was over. And it was distinctly anti-climactic. The country had been thinking of these gold decisions for more than a month and when they were made it gave them a languid "hand" and turned to a consideration of other things. But sooner or later popular thought will have to return to them, for their effects are going to be far-reaching.

In the meantime, however, the spotlight which had previously rested on gold has swung around to specific business and political factors. It has illuminated the fact that business as a whole continues to do reasonably well, but that there is not a great deal of confidence in the future. The automobile industry is still a bright spot so far as production is concerned, although the action of the automobile stocks are unchanged in their reflection of a fear that profits will not keep pace with current high output. Farm equipment activity also is at a high level, with sales to the South reported as running twice as much as a year ago, to other regions somewhat less. In this case, activity has been reflected in the stock market, for farm equipment issues, particularly those manufacturing Diesel engines and Diesel tractors, have been among the strongest groups. The output of electric power is yet another indication, gratifying to the optimists.

On the other hand, steel ingot output has begun to slip. Scrap steel prices also have receded. Retail trade, while still comparatively good, is making a less brilliant showing than that made towards the end of last year. The lethargic action of the merchandising stocks not only reflects this, but reflects the fear that profits are being squeezed between mounting costs and the public resistance to rapidly rising retail prices. The latest report of carloadings made a favorable comparison with the corresponding week of last year, but carloadings are still a long way below what is needed to put any real value behind the majority of railroad stocks.

At the same time, news from the political front has been anything but favorable to the market. Utilities are still the politically accursed. Washington continues to reflate (its own word) with one hand, while proceeding to knock billions off the value of utility stocks with the other. Should the move on foot to dissolve holding companies be carried out it would have most serious consequences. Although the utilities would be the group most severely affected, there is hardly a company listed on any stock exchange that does not have certain aspects of a holding company about it. Even if the holding companies were given as

long as five years—as has been suggested—to get out of business, it would be a major deflationary development. Take a comparatively simple structure like the United Corp., for example. Suppose that this company were to distribute its holdings in Public Service of New Jersey, United Gas Improvement, Consolidated Gas of New York and so forth, to its own stockholders, there would be thousands of odd lots and fractional shares and there is little doubt that the selling of these would more than counterbalance any buying that would come into the market while the utilities rested under their present political cloud.

Such well-grounded fears for the utilities as obviously exist have driven representative averages of this group through their absolute low of 1932. This was made in June, a time which is now known to have been the very depth of the depression industrially, and on a day during which it was announced that banking support had been arranged for a crumbling bond market.

It is also to be remarked that political persecution of the utilities has its direct effects upon business. While the utilities are under such pressure, it is unreasonable to expect them to consider plans for expansion. Even if they wanted to do this, who is there that would subscribe to a new utility security, other than a high grade bond, at the present time? And without public financing any real volume of expansion is impossible. The railroads are a case in point. They have been a political football for years, regulated near to strangulation and taxed to death. When the depression came on, it was found that railroad buying from the heavy industries was desperately needed. But, the best scheme that anyone could devise was to lend public funds to already insolvent companies. It is no wonder that the results have been disappointing. If only the heavy industries could get into high gear the unemployment problem would be solved and our troubles over. But with the Government cutting off their utility customers, one can only ask how many millions in public works (many of them unnecessary and uneconomic) will be needed to merely offset normal purchases on the part of the utilities, let alone promote recovery in the still sorely tried heavy field of industry.

The President's proposal that N R A be extended two years would have aided the market if he had not made it clear that he wished "the fundamental principles of the anti-trust laws should be more adequately applied" and if what he had to say about labor had been a clear exposition of future governmental policy. By and large, big business is in favor of N R A; oil and steel groups recognize to the full the damage that can be caused by cutthroat competition on the part of recalcitrant minorities. While it is not thought that the threats of nationwide strikes will be substantiated, business is a little nervous about labor and a clear-cut explanation of the Administration's attitude towards this extremely important question would have done much to bolster confidence.

In view of the many uncertainties that exist in the business and political outlook for the near-future, and despite the fact that the present picture is not without its bright spots, it seems logical to hold suspect the near-term action of the stock market. There is a prospect of some of the uncertainties actually developing soon—business recession in the second quarter, for example—and one can only take advantage of any rally from this point with such uncertainties in the back of one's mind. On the other hand, any sharp recession in security prices, in recognition of the present inflationary setting, could hardly fail to be interpreted as anything but a buying opportunity for those concerned with the more distant future—only those accustomed to look less far ahead need to worry about intermediate reaction.

In the longer range outlook the monetary influence is the one most to be considered. It is true that the Supreme Court censured the Government, holding that Congress had exceeded its power in abrogating the gold clause in Government bonds, but it is also true that New Deal monetary policies were endorsed, in the sense that almost no hope was held out for those relying on gold clauses in contracts. This was certainly inflationary in so far as it made it unnecessary to retrace a previously taken inflationary step.

Moreover, there are now reports that the President had prepared a speech which was to be delivered over the radio to the country at large in the event that the Supreme Court decision had gone the other way. In it, he was to ask the public to choose between the legality of the "adverse" decision and the facts of the situation. In other words, it was to be an appeal to the people from a decision of the Supreme Court. Although such a move would not have been altogether unprecedented in American history, it would have been the most sensational of developments. No one can say what would have happened. It might have scuttled the whole New Deal: on the other hand, it might have confirmed what has been described as the "determination to go on a currency bust, cost what it may."

In any event, that the Administration was prepared to go to such lengths to uphold its policy is an indication that it still believes that its previous currency experimentation was the correct medicine for business. And, if it were correct in the past, is there not a suspicion that it will be thought correct in the future? Certain it is that the "inflationist bloc" took heart from the decision and proposals for a further reduction in the gold value of the dollar are being urged.

However, so far as inflation is concerned, more im-

(Please turn to page 592)

Aerial Explorations Photo.

The Financial District from the Air.

Happening in Washington

By E. K. T.

Is the President losing his grip on Congress?

Administration strategy of flushing Congress at the start with its own proposals is developing into something of a flop. Congress has been in session seven weeks and nothing has happened. The Senate has resumed its customary deliberateness. The era of rubber stamping is over. The House is irritated because its promptness is neutralized by the inaction of the Senate. Disposition of its leaders now is to give the boys more rope.

It is not so much that the President is losing his grip as that Congress is tightening its grip. We are returning to the normal. President could still probably drive through anything he wanted within reason, but public opinion has now veered regarding White House and Capitol to the point where it no longer disciplines a member of Congress because he differs with the President. It is tolerant. *It is for the President, but it no longer condemns the man who honestly opposes him on some piece of legislation.* A member strengthens himself with his constituency by speaking his sincere opposition, it was different a year ago—with an exception or two to prove the rule. Both radicals and conservatives are now speaking their dislike of executive measures. Result may be some very queer legislation. And some unexpected contretemps.

Wide World Photo

Senator Burton K. Wheeler

His tax bill is aimed at "Big Business"

Recovery relief bill may provide a nearby test of Presidential power. So far it has been blocked in the Senate and may be so altered that the President will feel constrained to veto it. But the chances are that conference committees will retain the provisions that he regards as essential—particularly the size of the appropriation and the principle that wages are to be regarded relief expenditures and not as regular public works expenditures. If Labor is strong enough to write in a regular wage provision the President will hand out a veto. Inflation "riders" will not get by.

Social security bill has turned out under Congressional examination to be more of a good will document than a practicable measure. Congress simply must re-write it, or the President will have to veto his own proposal.

Labor's disgust and grief over the failure of 7(a) to give all power to the A. F. of L. is taking the form of opposition to unrelated Presidential measures. It isn't so hot about old-age pensions. It would prefer more pay in the prime of life to less pay in order to protect the decline of life. To its credit, be it said, that organized labor has not fallen for the Townsend $200-a-month dream.

Tendency toward more governmental control becomes more marked with the passage of time. The Duffey bill practically makes the coal industry a governmental agency. Oil is on the way to become a "utility." The Agricultural Department seeks to administer the lumber code in part, if not in full, and naturally administer private forests. The tendency naturally snow balls; nothing can stop it except both full return of prosperity and a political overthrow. But with renewal of prosperity there will be no overthrow.

The New Deal is certainly a permanent deal, in the sense that it has brought about changes in the relation of government to business which never may be undone.

Subsistence homesteads and industrial decentralization find labor opposition. They are viewed askance as twin measures in support of employers. Together, they are held to make for an independent labor population and a low standard of wages—creating a scattered body of casual laborers lodged in the country, where the natural tendency of wages is to be lower, (and of laborers to be more individualistic, is stronger) than in the cities.

Strange bedfellows are reclining in the same bed in opposition to work-recovery relief. Republicans are lining up with blatterskite laborites in demand for straight wages for the relief workers.

Supreme Court gold decision is held here to make for inflation. Devaluation of the dollar was intended as a straight out inflation measure, hence the decision is interpreted as practically adding the sanction of the highest court to the legislative policy of inflation, even though the Court labeled the law as an act of repudiation beyond the power of Congress. The descent to hell is classically easy once the start is made, and from changing the value of the standard of money to abolishing all fixed standards is easy, both in logic and morals; or "immorals," as Justice McReynolds might say. It is not difficult to proceed from a gold-cheapened dollar to a non-gold dollar.

Ever-mounting public debt adds to the slipperiness of the descent.

A by-product of the decision is held to put the U. S. out of good standing in its unwavering contention that the refusal of the allied nations to pay their debts to the United States is inexcorable welching.

Realistically viewed, the New Dealers believe that the decision will give business a boost, because it brushes away one cause of lack of confidence. Also, it is argued, that now that monetary unit inflation is securely established, prices will correspond more fully to the cheaper dollar. This alone, regardless of further inflation, is considered as certain to tend toward a higher price level.

Supply and demand factors may retard this tendency in the prices of commodities. But Washington's judgment is that it will be manifested rather promptly in stocks, provided the recovery march shall not get another setback.

No forward push for business is expected from the effects of the recovery-relief program, but it is insisted that it will hold for this year all gains that have been attributed to governmental expenditures in the past.

Discouraging political factors persist. Bankers are pretty well resigned to changes in the Federal Reserve System as being inevitable but resignation is passive and not co-operative.

The Administration's inconsistency in professing to put its trust in natural recuperative forces while at the same time discouraging them by invading the normal field of business and terrifying investors by its attitude toward holding companies and utilities in general is not encouraging.

It is becoming plain that the deeper policy of the Government is not only against holding companies but against corporate bigness of all kinds. The Wheeler bill to tax progressively the capital return of corporations is the complement of the bill to put the utility holding companies out of business. It is aimed at big business. Its principle is believed to have White House sanction, but considerations of present business expedience may and probably will kill it. But the conception of the Government as the ultimate big banker is being steadily realized.

Events of the past few years are cited to prove that the Government must control and regulate credit, which is preponderant "money" in business, as well as formal money. Privately controlled credit, it is urged, fostered the boom and brought on the collapse; and since the big smash has been powerless for recovery.

Government economists are pointing toward increased rural retail sales as evidences of recovery and of the efficacy of Government's policies in dealing with the drought and farm purchasing power.

A A A is heartened by figures, production control is going on, full blast. The strengthening amendment it seeks in the Agricultural Adjustment Act will be granted.

Washington Sees—

Congress regaining its power.

Rubber stamp era over—

But President still dominating.

Congress disgusted with sloppily drawn Adminstration measures,

And amazed at lack of preparation to direct expenditure of $4,900,000,000.

Labor opposing the President on many fronts.

Gold decision giving business a boost—

Also acceleration to inflation:

But a chill to fundamental recovery forces.

More government in banking, and more inflation thereby.

Administration opposed to big business as such.

A A A indorsed by rural business gains.

Silver to lead the charge of the currency inflationists.

Government administering natural resource industries.

Income Tax Pink Sheet for Snoopers Obliterated.

Business views of Government are cheerful, but haunted by the spectre of lack of forward-looking private enterprise in basic industries, and by lethargic credit situation. Emphasis is placed on Department of Commerce report that national income paid out in 1934 was 7 billions larger than in 1933. This does not include unemployment relief expenditures. Manufacturing production index advance is also emphasized, but little is said about the fact that it is largely due to recovery of the automobile industry. Private construction continues at a low level. An impartial view is that while business improvement is undeniable it is still chiefly in consumer goods. Employment is slowly gaining but 10,000,000 persons are still out of work and no genuine recovery can be declared until unemployment recedes sharply. View taken is this column that the first part of 1935 will be the best still holds—barring a hothouse activity caused by inflation or the fear of it. Settlement of the gold clause uncertainty will probably help consumer goods for the next month, but durable goods industries are still lethargic. Still insisted here, though, that consumer goods improvement will eventually smoke the heavy industries out of hiding.

Congress is paying little attention to the Presidential budget. Appropriations will be, perhaps, $500,000,000 more than budget indicated. The President has indicated that increases in the normal part of the budget must be met out of new taxes, but that rule does not seem to apply to social measures.

Every increase in appropriations strengthens the pull towards inflation by the inflationists, and the fiscal tendency thereto. Witness the inflation riders that are being offered to the relief-recovery bill.

Inflationists in Congress have agreed that the spearhead of the inflation drive shall be silver. The Administration has opened the door to silver inflation, and it will be difficult to block it. Purchase of 50,000,000 ounces of silver a month is demanded until the price reaches $1.29—then unlimited free coinage at $1.29 the ounce.

White House inflation policy looks in the direction of credit inflation through strengthening Government domination of the Federal Reserve System. Great importance is attached to the Eccles idea of opening the commercial banks to long-time mortgage loans. The Wheeler-Reyburn bill is in for a strenuous gauntlet running, but the chances favor its ultimate passage.

The sight of banks clogged with money and none going out is too much for the average congressman and his constituents to stand. Something must be done about it.

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Will Congress Open the Doors to Inflation?

Two Opposing Views on the Vital Question of the Supply and Control of Money by Senator Thomas of Oklahoma, Liberal, and Senator Barbour of New Jersey, Conservative

Nation is Prostrated by Insufficient Volume of Money—Expansion the Only Cure

By U. S. SENATOR ELMER THOMAS

MONEY is the universal commodity—the commodity which is always exchangeable for other commodities. We commonly express this fact by calling it the medium of exchange. As the universal commodity of exchange there is always a demand for it as such. Money, therefore, has a supply and demand value which affects prices, apart from the supply and demand ratio of other commodities to each other.

The cause of the depression and its continuance is that money is scarce and high. We do not have enough money—basic money, currency and credit—to establish an equitable relation between money and other commodities. At present about the only commodities which can be easily and promptly turned into money are gold and silver. You can take gold and silver to the mint and get money. You can not turn other forms of wealth into money at an equitable rate of exchange.

Underwood Photo

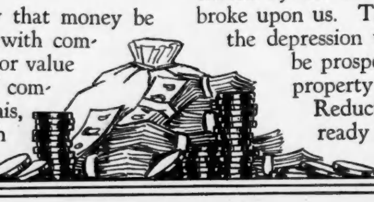
Senator Thomas

Formerly there was a way in which other property than gold and silver might be so converted into money—that was when times were good. That other property could then be minted, as you might say, through credit money. Owing to the high rate of such exchange it is now exceedingly difficult. This is commonly expressed in the form of the complaint that the banks are not lending money. This causes and continues business stagnation in a country like the United States which does most of its business on credit expressed in the form of bank checks.

To remedy this situation it is necessary that money be brought into more of a price equilibrium with commodities and property in general: the price or value of money must be reduced and the price of commodities raised. The only way to do this, speaking in general terms and not with reference to any particular commodity, whose own price may be determined principally by the monetary demand and supply of it, is to enlarge the volume of lawful money in actual circulation.

Under President Roosevelt we are now on that course. Practically all of the improvement we have had in business since the spring of 1933 has been due to the monetary policies of the administration, all of which aims at cheaper money. We have cheaper money, but it must be still cheaper. In February, 1933, we had a 167-cent dollar measured in the purchasing power of the dollar in 1926. Today we have about a 127-cent dollar. We have gone a little over half the indicated road to prosperity; we need to go the rest of the way and at least to the 1926 price level.

When the "Thomas Amendment" was adopted our annual total tax bill of all kinds was some $15,000,000,000 Our annual total interest bill was about $10,000,000,000 and the total debt structure supported by the people was approximately $250,000,000,000. To meet these current and maturing obligations we had to give up property, wealth and services to the value of $1.67 for each dollar of the debts. The real obligations, then, were $25,000,000,000 for taxes, $16,000,000,000 for interest, and $417,000,000,000 for the principal of debts. It was because of these added burdens and the low prices of property—both caused by the enhanced dollar value—that the depression broke upon us. The still too-high valued dollar is keeping the depression with us. We are still vainly trying to be prosperous with debts and taxes too high and property and services too low.



Reduction of the dollar value, however, already has peeled $3,000,000,000 in value off

the interest burden and $6,000,000,000 has been deducted from the tax charge, and the total debt has been lightened by $92,000,000,000. At the same time national wealth has increased by some $60,000,000,000. Already the Thomas Amendment has, therefore, caused, or in a ten-year period will cause, a corrective shifting of values in the total sum of $161,000,000,000. When the process of cheapening the dollar to 100 cents in value has been completed then the shifting of values will be increased comparably.

What Remains to Be Done

What shall we do to complete the job and set business free? Obviously, the answer is to proceed further along the same road of reducing the value of money. What we purpose to do is frequently called "inflation." That word means to me an excessive *increase* of prices by monetary measures. But what I aim at is the *restoration* of prices, that is, a deflation of present destructive money values. I would be the last to advocate inflation in the commonly accepted sense of the word. Through unjust policies in the monetary field—based on fallacious economic theory and selfish interest — government has subsidized the holders of dollars, bonds, mortgages and fixed investments. We can eradicate that monstrous evil only by corrective legislation.

On my initiative there was recently held in Washington a conference of some 16 groups of persons who hold the common ground that a faulty monetary system is the source of our fundamental economic ills. Naturally, there was a great diversity of views, but substantial accord was reached on the following proposition:

1. That the twelve Federal Reserve Banks be converted into a central bank, owned and operated by the Federal Government, which would issue and control all credit and currency.

2. That to secure immediately some increase in purchasing power for the veterans, the soldiers' adjusted service certificates shall be paid in currency—non-interest bearing legal tender noted. I favor the payment of the soldier certificates for the reason that such payments will help non-soldiers far more, through stimulated business, than the veterans themselves.

3. That the internal purchasing power of the dollar shall be established on an equitable level, at least that of 1926, to be achieved and maintained by expansion and contraction of the volume of currency and credit; and that the value of the dollar in terms of foreign currencies shall be controlled through an equalization fund.

4. Remonetization of silver on an agreed ratio to be hereafter fixed.

It is not necessary for one who believes in monetary expansion and stabilization to adhere to each of these declarations. The significance of the resolution lies in the fact that they are definite and militant expressions of the will, as I believe, of a majority of the people of the United States, that the only final and fundamental cure of our business troubles lies in heroic treatment of the money problem. We must free ourselves from a false and pernicious concept of money. Sound money must mean adequate money; and sound money we do not now have in a permanent sense.

Need of a Central Bank

Personally, I am in favor of nationalizing the Federal Reserve System. In fact, I have introduced a bill providing for the acquisition of all the stock of the members of the several regional reserve banks by the United States Government. Under it member banks will continue to be members, but without any ownership. Over, and embracing the regional banks, there will be a Federal Reserve Bank which will be a Bank of the United States. The board of this bank is to be appointed by the President and will include a governor, a deputy governor and give other members and the Secretary of the Treasury and the Comptroller of the Currency. This board will be the custodian of the public credit and of the funds of the United States. As the agent of Congress and the Government it will issue all the money of the United States and control the value thereof of all foreign currency and coin, and have jurisdiction over all banking institutions of the United States and its territories, subject to law, as well as exercising all the rights and powers of the Federal Reserve Board, not inconsistent with the new law.

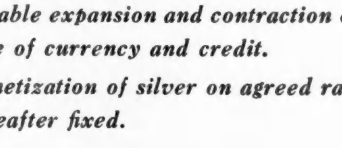
It is intended that the entire currency of the United States shall be the issue of the Federal Reserve Bank, which is to be full legal tender. The policy of the Government, operating through the Bank, shall be to restore the 1926 price level and maintain it.

I see no other practicable way than that of a Central Bank of regulating the volume of money and credit in such a manner as to provide at all times an adequate supply of money and credit and thereby to prevent disastrous price fluctuations and trends. Under the moth-eaten conception of money, Congress does not effectively "regulate" money as the Constitution provides. It leaves essential power in private hands.

As for payment of the soldiers' bonus, that is merely an incident of immediately expanding the volume of currency.

Remonetization of silver is also an incident of the realization of an adequate volume of currency. There is a place for both gold and silver in our monetary system. Until the content of the gold dollar is finally fixed I would not alter the present weight of the silver dollar. We now have some 540,000,000 coined silver dollars. Hence, I would cease to coin silver dollars, and would merely issue certificates against bullion as acquired.

Regardless of ways and means, my concern is chiefly with these two basic ideas, viz.,



Senator Thomas proposes that:

1—The twelve Federal Reserve Banks be converted into a Central Bank which would issue and control all credit and currency.

2—The soldiers' adjusted service certificates be paid in currency—non-interest bearing legal tender.

3—The internal purchasing power of the dollar shall be established on at least the 1926 level by suitable expansion and contraction of the volume of currency and credit.

4—Remonetization of silver on agreed ratio to be hereafter fixed.

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that the dollar shall again be cut loose from gold, and that thereafter we shall take steps to decrease its purchasing power by sufficiently increasing the volume of money. There are various ways of accomplishing the latter objective.

The Thomas Amendment now gives the Government ample power to increase the volume of money and credit without wholesale alteration of our present monetary system at one fell swoop. Under it, $3,000,000,000 could have been added to the cash reserve of the banks through open market operations. Another $3,000,000,000 in Treasury notes could be added to the circulation. Had the full 50 per cent of authorized cheapening of the dollar been proclaimed, the available gold reserve would have been doubled. We now have $8,425,000,000 in monetary gold. Using this gold as a 40 per cent coverage for currency we could issue some $20,000,000,000 in orthodox paper money. I am not advocating any such issue, however. We now have a money base upon which we could create some $150,000,-

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Political Central Bank and Other Schemes for Flood of "Cheap Money" to Put the Country on the Road to Ruin

By U. S. Senator W. Warren Barbour

Wide World Photo.

Senator Barbour

ALL the old familiar delusions about money, currency, bank credit and the power of the Government with respect to them are expressing themselves today in various movements, the general purpose of which is to flood the country with paper promises to pay money. The flooding is intended to be under political control and the sluices are to be opened in accordance with political notions of the way to bring about a more abundant life for everybody.

Some of these schemes center around proposals for the establishment of a new kind of Central Bank under political auspices; the bank to capitalize a governmental deficit because its capital will be money borrowed by the Government at a time when the Government budget is heavily in the red and getting redder. The political Central Bank is proposed so that the Government may have a lender from which it can borrow without restraint and convert its increasing deficit into a Red Sea of fiat currency issued from the printing presses in which the people and all the values of their work, enterprise and thrift will be drowned.

Back of these proposals is an idea that the hand of politics must be laid on all banking, and that with the assistance of the new kind of Central Bank advocated, politics will be able very quickly to set up its control over bank credit and the deposits of the people against which bank credit is created. The fact that 90 per cent of the country's total volume of business is paid for by checks drawn against bank deposits; that bank deposits circulating as checks constitute the country's principal currency; is and has been urged as an argument why politics should control the creation of bank credit. Bank deposits circulating as checks being the country's principal form of currency are its principal medium of exchange; that is, the means by which payment is made and bills settled for labor, goods, commodities and property. Political theorists assert that "the issuance and control of the medium of exchange which we call 'money' is a high prerogative of government." This is the fundamental fallacy on which are based mistaken political ideas about a political Central Bank, about the issuance of currency, and about the creation of bank credit.

The issuance of the medium of exchange in the form of credit instruments such as bank checks is not a high and exclusive prerogative of government. The bill of exchange (an order drawn by A on B to pay a specific amount to C) was in use long before there was any financial organization, governmental or private, in any nation. If A gives B his promissory note and B endorses it and passes it along to C and C passes it along to D, the process is nothing with which the Government has anything to do, unless somewhere along the line there is fraud. If A is regarded by people in a given area as a man of thorough responsibility and deserving of trust, his note will be regarded as good enough to take in payment of labor or goods or property. A's note might pass through many hands and settle many transactions before its payment on the due date. Its circulation is not something for which government permission has to be obtained as a matter of privilege.

Checks drawn on bank deposits—that is, bank deposits circulating as checks—are precisely in the same case. It is a fact of common experience that bank checks often pass through various hands and bear various endorsements before they are finally presented for payment at the banks on which they are drawn. It is a prerogative of government to issue its own medium of exchange in the same way, but the issuance of the medium of exchange which serves to settle 90 per cent of the country's business is in no sense a high prerogative of government. It is essentially a natural prerogative of the free American citizen as a private individual.

It is in the plan of the advocates of a

political Central Bank that the Government shall use it as a machine through which to issue paper promises to pay money which will be forced on the Government's creditors; the wage and salary earners who have worked for it, the contractors who have supplied it with materials or have done construction jobs for it, the investors who have loaned money to it and hold Government bonds, Treasury Notes, and the like as evidence of the loans. These creditors of the Government are to be obliged to take these paper promises to pay in settlement of the Government's debts to them. Furthermore, the political Central Bank proponents intend that the paper promises to pay shall be made "legal tender"; that is, everybody in the country shall be ordered to accept at their face value these paper promises to pay in settlement of debts owing by the people to one another.

The People's Money

The phrase "government money," which is often heard, exhibits the basic mistake. In a country of free people like the United States, there is no such thing as government money. There is only the people's money which the people as a whole, have accumulated by industry and trade and have entrusted to the Government to protect for them. There is only the money which the people, in accordance with the habit and thought of mankind through age-old use and wont, have determined that they will regard as money and use for money.

> ***"The tragedy of all of the schemes for flooding the country with 'cheap money' is that the worst sufferers in the end are the great majority of the people. It is the great group of people who are employed for wages and salaries and the great number of the people who have small savings and small incomes from investments which are the results of toil and thrift, who are disastrously crushed in the inflation panic which takes place when the politicians have put a country on the road of a debased currency which leads to ruin."***

The people of the United States have determined in accordance with the age-old customs of men what shall be their money. Basically this must be gold, although the habit and thought of the people have recognized the use of a moderate amount of silver as part of our metallic monetary base but only to the extent that the silver money itself can be kept at parity with gold. Congress may authorize the Government to issue, or authorize private or semi-private agencies to issue, representative forms of money, like paper currency. Only if the public considers these issues as good as money will the people accept them for long at their face value as reasonably stable and satisfactory measures of the exchange value of labor, services, commodities, goods, and property.

The Government is not a source of money. The people are the source of money. The Government is not a creator of money. The Government is only a custodian and protector of money in the interest of the people as a whole, and for their protection and for its own protection. What gives real money value is that it has been earned. Back of every dollar that is a good dollar is labor of hands and heads; commodities, goods, or property denoting value given or to be received; or else it is not good money. If the Government ventures to tamper with money or its representative forms of currency of any kind because of political concepts of governmental necessity and out of the mistaken idea, it resorts to experiments suggested by monetary theorists; it is going contrary to the habit and thought of the people about money. They themselves, the people, decide what they will use for money and the value they will place upon it.

The Most Practical Thing

The time has gone by when much coined money needs to circulate. It has been developed in the modern world that the best use of money is not to coin it and put it into circulation at the risk of having it hoarded; but to hold it in the form of reserves against representative forms like paper currency and bank deposits circulating as checks. If what experience has shown to be adequate reserves of real money are maintained, experience has also shown that the people will consider these representative forms of money to be as good as real money. This definitely means as good as gold, because these representative forms of money are directly convertible into or redeemable in gold or are indirectly convertible and redeemable through the clearing house processes by which the country's exchanges of labor, goods, commodities, property, paper currency and checks on bank deposits are paid for and settled against gold funds held for this purpose.

Money is very little a matter of theory. It is about the most practical matter in everyday life. All that theory about money can do is to formulate itself along the lines of the habits and thought of the people with respect to money. To the extent that the Government seeks to make money a matter of theory outside of these lines; to that extent it is courting disaster for itself and for the people.

In a free country the primary needs, to serve which a Central Bank is established and paper currency is provided, are not the needs of the Government. They are the needs of industry, farming, manufacturing, merchandising, savings and investment. They are in short the needs of the people with whom rests the ultimate power to decide what shall be money and what they will use for and as money. Their need is for money and representative forms of money which shall have unquestionable value behind them; which shall not depend for value on political assurances that the Government's promise or fiat has all the value that is required. It is certain that the value of such paper promises to pay money would be promptly questioned now because it would be projected against the background of the action of the last Congress in breaking and repudiating the Government's own specific promise to pay its obligations in dollars of a definite fixed value in terms of gold. The value would be questioned anyway because of the experience which man has had with such uses of paper money in many countries during the last two centuries. Our own experience with the Continental currency Civil War greenbacks, and with the wildcat banknotes of the first half of the past century is evidence on this point.

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¶ *Is Business on Its Way to Recovery? How Enduring Is the Present Upturn?*

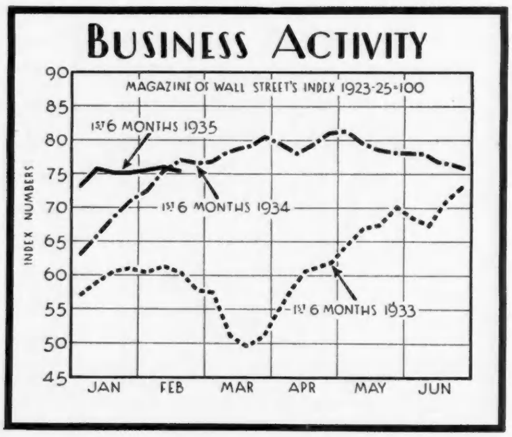
¶ *Comparison with the Spurts of 1933 and 1934 Leads to Significant Conclusions*

Business in the Second Quarter

A Fact-Facing Analysis

By John D. C. Weldon

HOW genuine is this business rise we have seen underway since last November? In the light of what has happened to business in the past two years the question might well be asked. Twice has business spurted forward under the impulse of consumption goods activity and, having failed each time to include the heavy goods industries has slipped into a decline.



The past few months have witnessed a third attempt by business in this country to climb the steep hill that leads from the vale of depression. The first start was made during the third week of March in 1933, and carried the business activity index up from its depression low of 49.7 to 77 per cent of the 1923-5 average. At that point, after 16 weeks of effort, the clutch slipped and business coasted down the hill for about six months and then steadied at the 63 per cent level. The rise which began with the opening of 1934 carried forward for 17 weeks and after bringing activity up to a level of 80 per cent, there was another slip and business retraced all the ground gained that year before the recession was again checked after an interval of six months.

The Pace Slackens

The third and most recent upward climb was begun during the first week of last November and, after 16 weeks, has brought general business activity up to only 75 per cent of the 1923-5 average. Of recent weeks there has been a tendency for the pace to slacken. The vital question now to which investors, business men and working people are eagerly awaiting an answer is, "Will business pick up and make the grade from this point, or must a third set-back of perhaps six months be experienced?"

It is perhaps only coincidence, yet none the less interesting, that these three waves of improvement have lasted an average of about 16 weeks, or four months; while recessions following the first two upward spurts lasted exactly six months. Now, of course, there is no economic law that compels a business wave to endure just ten months and comprise four months of improvement and six months of recession; yet, if the present wave is going to follow this pattern, it must be close to the crest now and we should look forward to a six months' set-back before the next period of improvement sets in. On the face of things it looks a little as though business had settled down to oscillate about the 70 level, inventories being depleted by six months of excess consumption and then replenished by a four months' spurt in production. If so, will this pattern be repeated indefinitely? Let us see if some clue to the possible answer can be found by examining more closely into the circumstances which have accompanied the three business flare-ups and two recessions since the present Administration came to Washington.

The New Deal Spurt

The swift period of improvement which followed reopening of the banks in March of 1933 had its inception in a rebound of confidence which was abnormally depressed by the tottering bank structure. The rise in business activity was thereafter carried to an unreasonable height by wild speculation in inventories. The atmosphere was distinctly inflationary. The gold embargo precipitated a headlong drop in the external value of the dollar, and spectacular advances in staple commodities with an international market. Producers and middlemen vied with one another to acquire goods in anticipation of yet higher prices which were believed certain to result from curtailment measures under the A A A and in consequence of higher wages and wider employment under the N R A.

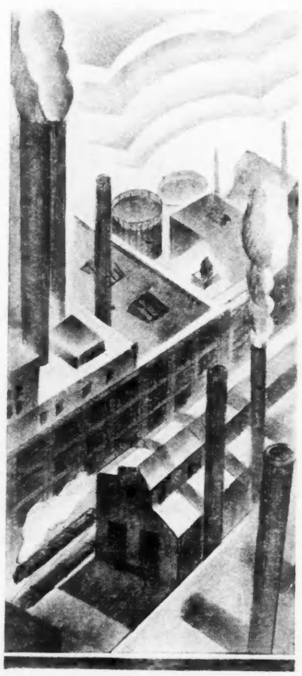
But this planned increase in the public's purchasing power, both urban and rural, naturally required time to develop and it was not until July that retail sales passed the preceding year's figures. By this time excessively heavy inventories began to press on the market. It was found that costs under N R A were rising faster than prices. Profits were thin and reemployment discouraging. Speculators suddenly realized that the jig was up for the time being, and production began to be curtailed. Thus the first reaction was precipitated.

The Pump Priming Bulge

Anticipating such a set-back, and in an effort to head it off, the Government launched a broad program of huge expenditures to be financed by bond issues. Building projects were fostered, the railroads were assisted in buying equipment, and large sums were devoted to such non-productive undertakings as park beautification, etc. With the opening of 1934 these extraordinary expenditures began to stimulate industry and general business activity was again strengthened by sharp gains in retail sales during the first quarter. Meanwhile the heavy goods industries received an added impetus from the expected adoption of codes by copper and bituminous coal mines which carried the threat of higher wages and higher prices, and by the posting of higher steel prices for third quarter delivery. But the impulse in these lines was not enduring. Once these "scare orders" had been filled, steel operations dropped precipitately within three weeks, from 56.5 per cent of capacity to 25.2 per cent Again it was apparent that improvement rested largely on consumer buying.

Uneasiness caused by this sudden collapse, combined with an almost unprecedented drought, brought a sharp decline in retail sales. But this lasted for only three months. In December, just past, retail trade recovered under stimulus of Government aid to the stricken areas and published estimates that farm incomes, owing to higher prices, would not be reduced by the drought.

The third, and most recent, wave of improvement in general business activity was initiated during the first week of November by the unusually early launching of a vigorous automobile production program. The demand for steel thus created, coupled with heavy demand for cans and for agricultural implements and a scramble by miscellaneous buyers to replenish inventories, has already forced the steel operating rate up to 52.6 per cent of capacity. This compares with 56.5 per cent at the crest of the second wave of improvement, and with 52.5 per cent at the peak of the first wave. The index of general business activity rose to 77 per cent of the 1923-5 average at the climax of the first wave, to 81.3 per cent during the second wave, and has recently touched 75.9 per cent.



Of recent weeks the business activity index has displayed a tendency to flatten out and a slight falling off in steel and electric power has set in during the past fortnight. Are these the harbingers of another intermediate recession in general business activity, or will the index soon resume its rise and break through to establish new high records for the recovery?

In favor of a nearby recession in business we find

1. The atmosphere of uncertainty created by controversial legislation before Congress—such as the agitation for government control of bank credits and for extravagant old age pensions and bonus payments to ex-service men, the thirty-hour week, radical amendments to the $4,800,000,000 work relief bill, and other fantastic proposals.
2. Rapidly mounting food costs, which must either impair the public's purchasing power or else foment strikes for higher wages and so impede production.
3. The opposition of bankers, insurance executives and real estate interests to the Administration's housing projects on the ground that more housing capacity would promote further deflation of real estate values and rentals.
4. A visible slowing down in the rate at which farm incomes and business payrolls have been increasing.
5. The circumstance that the present wave of improvement has already lasted about as long as the two previous bulges.

Some Favorable Factors

On the other hand are several almost equally cogent reasons for supposing that any set-back which may take place in the near future will be of moderate dimensions and short in duration.

1. Normal seasonal influences tend to sustain a wave of improvement, once started, well on into the months of spring. In the present instance, though building contracts in December fell to nearly half the value for the preceding December, building permits which are the forerunners of actual contracts for new construction work have shown improvement, although still, of course, at relatively low levels. Moreover, automobile production is still expanding and dealers complain of a real shortage of cars for immediate delivery—especially in the lower price brackets.
2. The present wave of improvement, under the leadership of a brisk consumer demand for motor cars, is the only one of the three upturns which has not as yet been stimulated artificially by government nostrums. It has some of the earmarks of genuine, spontaneous recovery.
3. Hesitation which has appeared of recent weeks in business indicators such as steel production, foreign trade, and domestic sales at wholesale, may well have been caused by monetary uncertainties raised by the gold clause cases. Now that the Supreme Court has decided these in favor of the government, business held up on that account should soon be released with a rush.
4. Affairs of the rails and utilities have now reached such a climax that assistance or further receiverships must soon be forthcoming. Either solution would be received by the business world with a feeling of relief. Any certainty is preferable to suspense.
5. The public's income, urban and rural, is still greater than a year ago. Wage increases forced by rising food prices would add to purchasing power. Dividend and interest payments are still expanding. Bank deposits are rising. There is no nearby prospect of a drop in the country's spending power.
6. Emboldened by the Supreme Court's gold cases decisions, cheap money advocates are already pressing for more positive and active inflation. In proportion as they succeed we shall have at least an increase in production prompted

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Labor Stands at a Crisis

Something New and All-American May Come Out of the Renewed N R A and Its Famous Section 7(a)

By THEODORE M. KNAPPEN

PRIZE fighters shake hands before they start to slug each other into oblivion. That is what the "renewed amity" between the President and the American Federation of Labor amounts to—at least until the President changes his flexible mind. The conference on February 11 between the President and the 16 members of the executive council "was not a peace conference" says a labor spokesman, it was mutual recognition, wrapped in an interchange of felicitations of an agreement to disagree.

Straight from the White House "amity" went the sixteen to the Capitol to fight for prevailing wage rates in the President's relief-recovery bill. Put regular wage rates into the $4,900,000,000 bill, Admiral Peoples, President's spokesman, was telling Congress about the same time, and you "wreck" the whole project.

"We count on your support," said a letter from President Green to each of the 95 Senators.

The war is on.

This is what organized labor is fighting for—this is what it requires of the new National Industrial Recovery Act—or whatever the N R A extension law may be called:

Six Points Plus

1. That the administration of codes, as well as their development, should be in the Government's hands—not in those of code authorities.
2. Keep Section 7(a).
3. Retain child labor provisions and maximum hours and minimum pay.
4. Labor to have equal representation with industry in the N I R B and "adequate" representation on all code authorities.
5. Arbitrary codes to be imposed by the President at his discretion.
6. That labor shall have an equal right with management in proposing codes.

The Famous Section 7(a)

Is it plain? Donald Richberg says it is. But it has turned the labor world upside down, and may in the end lead to a new manner of labor organization. Designed to knock out the company unions, it may unhorse the A. F. of L. Here it is:

"SEC. 7 (a). Every code . . . shall contain the following conditions: (1) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; (2) that no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing."

Besides this ultimatum to the President, the A. F. of L. demands:

Rigid enforcement of all code rules relating to labor.

Enforcement of 7(a) to the hilt and the destruction of company unions.

A thirty-hour work week with no reduction in weekly pay.

On the whole the President's own National Labor Relations Board stands with the A. F. of L., except, perhaps, on the 30-hour week—which is none of its business until it becomes law.

Before the smoke of the battle now engaged covers the field from view, let us take a look at the present status of organized labor under the National Industrial Recovery Act.

In the beginning the labor unions looked upon N R A as their Magna Charta—the labor barons had won and King Public was shorn of power; President Green waxed lyrical in his triumphal orations. Now the union chiefs profess to be bitterly disillusioned. For a time, unaffiliated workers flocked to union membership; it was obviously discreet to join in the new regime, the apparently Presidentially designated guardian of 7(a). Within the period of a year A. F. of L. unions gained 700,000 paying members and a swarm of would-be members. But the so-called company unions did not long remain passive.

The Rise of Company Unions

At the end of the first year of nationally sanctioned collective bargaining it was estimated that 40 per cent of affected employers were bargaining individually with their employees, 49.6 per cent through some form of employee representation, and only 10.4 through the regular labor unions. "In other words," quoting Chairman Francis Biddle of the National Labor Relations Board, "the regular labor unions, after the principle of collective bargaining had been written into the codes for about a year, were but 10 per cent organized in mining and manufacturing." Company unions had gained 218 per cent in membership,

and regular labor unions 126 per cent; and only 41 per cent of the latter were dominant. The President no longer saw the A. F. of L. and the cause of labor as one and the same thing.

Magna Charta seemed to be more of a charter for company unions than for the regular unions. No wonder that the A. F. of L. membership campaign has lagged of late, and that a new take-off is being sought.

Shunning Class War

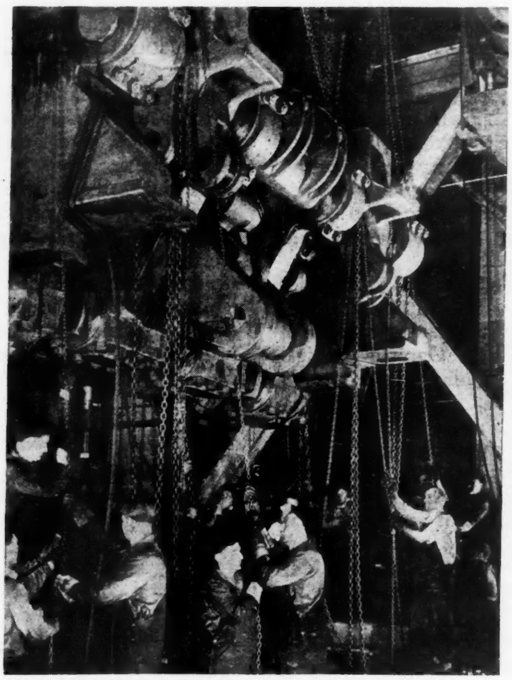
To divert for a moment, these facts may be significant of a new and characteristically American slant in the solution of the huge problem of socially satisfactory relations of labor and capital. It is more than possible that, if left to himself and endowed with independence, the average American worker may prefer to deal face to face with employers, instead of through an outside union. Section 7(a) may turn out to have started something. The worker need not fear his employer when demanding better terms, but also he need fear no labor dictator in following his own course. He is freed from tyranny on both sides. He becomes a free agent in industry, but a part of it—not an enemy, either in open warfare with management, or always, in effect, threatening hostilities; he likes that—class warfare and confessed membership in a smelly proletariat have never appealed to him.

While this potentiality may be an excellent thing for society, it is not necessarily something for the selfish employer to crow over. It is hard to believe that in the course of time the company plant unions will not federate (the Cadillac's union has already suggested that) but even so, the difference between the present international unions and the united company unions may remain profound. On the other hand, it is not difficult to understand the A. F. of L. belief that company unions are merely a device in which to trap the docile and timid workers and subject them to domination by management.

But outside of the wide recognition of the principle of collective bargaining, what have the regular labor unions gained under New Deal legislation? Much in prestige and audacity but relatively little in fact.

Section 7(a) turned out to be neither an alarum nor an alarm.

It required collective bargaining in coded industries, but it did not demand that a bargain should result from the bargaining. There's not a word in the Section to compel the disputants to agree—not even a requirement that the result of a bargain shall be written into a contract. There's no odor of industrial peace about it. There is no real enforcement. The signing employee can strike the next day or the next minute and the employer can throw the men out of work whenever he wants to. It's all voluntary and revocable. It may get into the courts, but it is a long time getting out.



Wide World Photo.

Hoisting into position the new press used in producing turret tops for 1935 motor cars

Bargaining, Mr. Biddle says, can go on forever, and arrive nowhere. Collective bargaining complies with the law, no bargain must needs issue. Still, there is some gain: No longer can the arrogant, dictatorial type of "this-is-my-business" employer refuse to treat with his men *en masse*. But with whom shall the employer deal if his employees are divided in union allegiance or have none and wish none? Section 7(a) answers not. Therein is concealed the boomerang that has exasperated the A. F. of L.

Majorities and Majorities

The National Labor Relations Board says: "Where a majority of the workers entitled to choose have chosen their representatives, they shall represent all the workers for the purposes of collective bargaining in such matters as hours, wages and basic conditions."

On the other hand company unions are not abolished, but the Board is inclined to take a narrow view of what constitutes employer coercion or influence in the setting up of company unions. Again, there seems to be nothing to keep an employer from secondary bargaining with minority groups, even after he has dealt with the majority. He may conceivably give the minority a better deal in some respects than he gave the majority.

But it's the demanded majority rule by count of noses that worries the A. F. of L. In the Houde company case (now in the courts) where the ruling was made by the Board, the regular union won the election, it is true. But the spectral thing that haunts the future is that the majority ruling may put most of industry under individual plant or company unions. That's a stunner—regular union members led by company scabs!

If the meaning of 7(a) is vague, the President is satisfied with it; so is Donald Richberg. And if the captain and his lieutenant shall have their way, it will not be changed. Probably organized labor is satisfied to leave 7(a) as it is, unless it can put the A. F. of L. brand on it.

What Labor is hot after now is a hand in making the codes, thereby getting down to the grass roots.

Almost anything can be written into the labor provisions of a code.

Next, it is bent upon a labor disputes law, outside of N R A.

So, the Wagner bill, 1935 model, will soon come forth and probably without Presidential blessing. The bill, it is said, will do its best to sink company unions forever and put the A. F. of L. in power. It will seek to end the present confused condition of enforcement and administration of labor laws and regulations. A dispute relating to a Code can go on forever or practically so, so can any

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Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

Peace in the Air?

The Treaty of Versailles, a document drafted to end all wars, is the primary cause of the quick trigger nervousness now prevailing in Europe. A sober settlement of differences, in every instance, has heretofore been superseded by ambition for individual victories. The Wilson-Lloyd-George-Clemenceau rivalries instigated the original debacle; the peace-dove cooings of Briand-Stresemann failed to pacify the situation; the collapse of prices and world economic depression warped the joints of international accords; and, at last Flandin, with his side kick Laval, hit upon an international air pact as the most facile point of convergence to further the relentless efforts toward European rapprochement.

The new program of European appeasement will proceed on the basis of the following major proposals: first, a declaration of the powers cancelling Article V of the Versailles Treaty at a General Disarmament Conference at Geneva; second, the conclusion of a convention pooling the air fleets of signatory nations in the event of unprovoked attack; three, an eventual showdown on the Eastern and Danubian Pacts.

English statesmen, cognizant of their new aerial frontier on the Rhine, acquiesced blandly to French beguilements. Still, England, obdurate, champions the cause of German equality and cherishes the ideal of the German prodigal son returning to the League family. Failing this concert of nations the one alternative remains to pursue Barthou's policy of encircling Germany with a ring of steel. The reaction of Germany to the London parleys is one of stalling caution, pending an agreement between Foreign Minister Von Neurath and his protocol-minded diplomatic corps, and Hitler seeking mystical enlightenment in his Bavarian mountain retreat.

In spite of any conflict between the pragmatism of Von Neurath and the ideology of Hitler, German foreign policy retains three trump cards: tentative acceptance of the London Air Pact; followed by a delayed but propitious agreement on the Danubian Accord; and, finally, the re-entrance into the League of Nations itself. The first will be played against the adoption of the Eastern Locarno Pact, the opposition to which is as solid as ever; and, second, against opposition to Germany's arms equality.

With virulent intrigues, strained frontiers and commercial discriminations, fostered by the blind injustice and false psychology of the Versailles Treaty, is it any wonder that New England prudence, together with Middle-Western horse sense, have united for once in a common patriotic cause to repudiate proposals for the entrance of the United States into the World Court or, more involving, into the League of Nations, whose prestige previously suffered a solar-plexus blow from Japan's acquisition of Northern Asia, and now is destined to fall for the count if Italy's penetration of Abyssinia continues unchecked.

* * *

Brazil

One of the salient promises of the New Deal was the revival of foreign trade through a series of bi-lateral treaties with countries comprising our most important export outlets. Mr. Hull succeeded first in concluding a commercial agreement with our nearest neighbor and protégé Cuba. Subsequently, after months of bickering, Brazil also agreed to come to terms. Both countries granted certain tariff concessions on American imports, but Brazil in addition provides exchange allotments to cover merchandise imports and to reserve any surplus exchange balances to liquidate so-called deferred commercial indebtedness.

Of course, both Brazil and Cuba rank among the few isolated countries which sell more to the United States than they buy. The resultant downward revision of the tariff schedule affects only 2.4 per cent of Brazilian exports; 23.8 per cent of United States exports to Brazil. Not to be overlooked in this seemingly favorable bargain is also the fact that approximately four-fifths of the Brazilian trade with us is in coffee, and coffee is on the free list.

* * *

Russia

Consistent with the ancient adage that the United States never lost a war, but never won a diplomatic victory, our brotherly gesture in recognizing Soviet Russia failed to procure the vast orders so naively solicited. In the palatial Embassy in Moscow, latest pride of the proletariat city, a bewildered corps of young and eager apprentices encountered impregnable sales resistance. Simply stated, the traditional Soviet commercial policy is to sell strictly for cash and buy exclusively on credit. Thus, the Russian idea of reciprocity first cunningly concealed by Litvinoff in Washington, when unmasked, amounts practically to this: that we should lend U. S. S. R. sufficient money to pay their debts to us, and then extend sufficient commercial credits for them to purchase their import requirements from us.

The State Department stopped the proceedings with laudable firmness. For once, the State Department more than threatened, actually chastised. The U. S. S. R. is classed with those countries unfairly discriminating against American commercial interests, have been penalized in competition by a 50 per cent reduction in the tariff on Brazilian

manganese ore, whereas the former high tariff is maintained for ore originating in Russia.

Nor can the increase of Russian gold shipments to the United States be interpreted as foreshadowing merchandise orders. Let us look behind the scenes of the Soviet State Bank and examine its policy. During the course of the first Five-Year Plan, Soviet gold was exported not for direct payments abroad, but as a guarantee for foreign credits. As indebtedness increased, not only the exported gold but State Bank reserves dwindled far below official statements. The State Bank was then forced to yield its reserves and, in addition, pledge unmined metal against current indebtedness. To facilitate international exchange, so-called "gold certificates" were issued which, at the present time, constitute the actual cover of Soviet bank notes in circulation and figure under the misleading title of "gold reserves of the Soviet State Bank."

This supposition finds an indirect confirmation in the character of recent Soviet-German financial agreements. When Germany insisted, some time ago, on payments of maturing U. S. S. R. short-term obligations, the Soviet Bank, although publishing flaunting statistical statements of huge gold reserves, sold in advance to Germany the total metal output of the mines for the coming year. Russia, thereafter, continued to mortgage her potential gold reserves, with the result that 157 million marks of gold were exported into Germany in the first half of 1934. The gold thus exported, although originally earmarked as a guarantee against merchandise shipments, is now, with certain justification, considered by Germany as her property and is, in turn, used in payment of German debts.

Similarly, Soviet gold deposits scattered throughout the world are regarded by the Stalin government itself merely as a guarantee against banknotes in circulation, with the result that the vaults of the Soviet State Bank actually contain unimportant, if not almost negligible, reserves of gold.

Thus Russia, buying on the instalment plan, living constantly beyond her means, presents a most dubious commercial risk, despite the sanguine assurance of integrity implied in commercial negotiations.

* * *

France

Statements disseminated under the false guise of authenticity circulate to the effect at a Franco-American commercial treaty is a question merely of affixing signatures. Nothing could be more contrary to fact, and the only basis for such pronouncements is that in interested commercial circles the wish is father to the thought. Franco-American trade relations continue to be transacted in accordance with the loosely interpreted modus vivendi of 1927, plus the quota agreements of 1932—a stifling method of import control.

In the meantime, former Republican Ambassador Edge maneuvered ineffectually for a cut and dried commercial treaty as a political feather in his cap. According to official sources in Paris, the re-opened treaty negotiations, already several months under way, have been stalemated by the obdurate reaction of the French Foreign Office. Experts, swamped with detail, see no immediate prospect of a near-term accord. The dubious outcome of the treaty is particularly significant when latest statistics reveal that in 1934 American exports to France dropped 24.7 per cent as compared with the previous year, whereas French exports to the United States declined only 3.7 per cent. Products hardest hit are: cotton, copper, fruit and nitrates. Allied Chemical shipped to France in 1933: 84,000 tons of nitrate of soda, 40,000 tons in 1934, zero tons this year. The global French nitrate of 100,000 tons was allocated: 80,000 tons to Chile and the remainder to Norway.

Sharpening the keenness of foreign competition, France baiting with promised credit extension, angles for Soviet purchases of accumulated stocks of Citroen automobiles, tractors, textile machinery and industrial equipment. It is difficult to determine whether this overture is on the lines of commercial expansion or political expediency.

The dubious outlook for a Franco-American commercial treaty is particularly significant in the light of recent statistics which reveal that in 1934 American exports to France dropped 24.7 per cent as compared with 1933, whereas French exports to the United States declined only 3.7 per cent. Products hardest hit are: cotton, copper, fruit and nitrates.

Allied Chemical shipped to France in 1933 84,000 tons of nitrate of soda, 40,000 tons in 1934, and will probably ship none this year. French purchases of 100,000 tons of nitrate have been allocated: 80,000 tons to Chile and the remainder to Norway.

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Germany

A multitude of unobtrusive facts, insignificant on the surface are, however, indicative of German events in the making. Everything which has been done in Germany in the past few years has been dramatized more or less in the macabre manner, grossly ignoring all restraint in an attempted portrayal of the "emancipation of the German conscience". The year 1934 ended, for the Third Reich, in a distraught atmosphere of approaching calamity. It is known that confidence and cordiality between the President-Chancellor and the Reichswehr were not at all what they should be.

Seeping through the dam of journalistic censorship, trickled sensational stories of arrests, executions, plots and counterplots. These rumors, following the resignation from government advisory jobs of Krupp and his fraternity of industrial magnates and coupled with a simultaneous outbreak of suspicion against key officials in the Nazi party, forcibly indicate that the situation is, to say the least, unhealthy.

The manifestation of the 3rd of January substantiates the much publicized accord between Hitler and the old army. The former is in the ascendency and The Fuehrer is now no more than a political agent. The German enigma is therefore not within although it is apparent that the country is improving its position internally at the cost of her external relations. The balance of Germany's foreign trade is increasingly against her—January imports exceeded exports by nearly 44 million dollars, an increase of 25 million over December. This arises in part from her extensive needs for metals, principally copper and iron. To offset this Germany is aggressively fighting for export outlets in South America, Africa and in the United States. In addition, she is endeavoring to effect trade agreements with Japan—one of her principal competitors in the production of cheap manufactured articles which are now appearing in a flood on the American market and which are giving many of our domestic companies real concern.

Government Guns Are Trained On Holding Companies

Liquidation of Corporate Pyramids May Prove Beneficial in Some Cases and Harmful in Others

By Francis C. Fullerton

LIKE Macaulay's famous New Zealander, some historian of the future—and the not far distant future, either—may stand and gaze upon ruins of a previously great institution, and marvel that such should be. And, expressed in terms of money, the ruin may even be comparable with that which the writer foreshadowed in the destruction of mighty London.

One great branch of the financial structure of the country is threatened with complete destruction. This is the holding company, and if the bills that have been introduced simultaneously in the national Senate and the House of Representatives, are enacted into law, the threat will become an actuality. At least this is true so far as public utility holding companies are concerned. And, as has been pointed out, if such drastic action can be taken against utility companies, the same sort of action can be taken and be made to apply to all holding companies. The anti-holding company bill, which will be known for the time being as the Wheeler-Rayburn bill, from the names of its respective sponsors in the Senate and the House, is not only a measure with teeth—it is an act whose dental accessories are backed up by a capacious maw which can and will swallow eventually the last vestige of utility holding companies, and make the operating companies the sole agencies in the electric and gas fields.

The bill, as entitled, is "To provide for the control and elimination of public utility holding companies operating or marketing securities in interstate and foreign commerce and through the mails, to regulate the transmission and sale of electric energy in interstate commerce, to amend the Federal Water Power Act, and for other purposes."

It is a lengthy document of some 140 pages. It is a measure that does not hide the feeling of the Administration against holding companies and does not hesitate to indicate that its real purpose is the complete destruction of holding companies in the public utility field. No mercy is shown. It is not merely an emergency measure. It is designed legislation which, by its express terms, obligates

complete dissolution of all utility holding companies by 1940.

An industry valued at approximately twelve billions of dollars is edging near to the brink of destruction and needs only the affirmative votes of Congress and the approval of the President to push it over. And, if one is to judge from the sentiment in the national legislative halls, and in the White House, as interpreted by those close to Federal affairs, these votes and this approval will be forthcoming.

Elimination Called For

It may be said that no measure has been proposed, at least in modern times, so frankly destructive of a large part of a nation's privately-owned capital, as the bill now in Congress, which, if it becomes a law, will be cited as the Federal Power Act.

Note the title: "To provide for the control and *elimination* of public-utility holding companies, etc." No doubt there. No uncertainty as to the intent. "Carthage must be destroyed" was Cato's continuous affirmation, and "Holding companies must be destroyed" is the cry of the sponsors of this bill. No mercy! No quarter! Absolute annihilation!

Of course, there are numerous citations from the sponsors of the bill, as basic reasons to justify the destruction of holding companies. All of them center around the "abuses" that have sprung up in such companies, through the over-issue of securities, the expansion beyond wise limits of many companies, the tendency toward remote control of local institutions, moving toward monopoly, the pyramiding of securities till equities have become of extremely tenuous value, resulting in heavy losses to bondholders and to stockholders, alike. And no doubt the anger of lawmakers as well as that of holders of the securities has been fanned into flame by the results in numerous specific cases—such, for example, as the Insull debacle.

"Carthage must be destroyed" was Cato's continuous affirmation, and "Holding companies must be destroyed" is the cry of the sponsors of Wheeler-Rayburn bill. Note the title: "To provide for the control and elimination of public utility holding companies . . ." If public utility holding companies go what will happen to railroad and even industrial holding companies?

Holding companies, while comparatively modern, are not new, by any means. Nor have the possibilities of evil resulting from the unrestrained acquisition of underlying companies by a parent concern, been overlooked. Back in the nineties of last century, Tom Lawson, in his famous serial, "Frenzied Finance," published in "Everybody's Magazine", cited the numerous companies which were controlled by the New York, New Haven & Hartford Railroad Co., and deplored the fact that the companies had been obtained for the most part, without the passing of a dollar—through the exchange of securities. This series of articles was avidly read and as eagerly discussed by the general public. Mr. Lawson, while himself not averse to some rather strange financial methods, was inveighing against what he called the "System", which had its center in the big "trust," typified then in the Standard Oil Co., which subsequently was dissolved by decree of the United States Supreme Court.

Like the liquor traffic, the ills that grew up in holding companies were overlooked or ignored by those who might have been more careful of their own interests and those of their security holders—and now, as in the case of the liquor traffic, the protagonists of holding concerns are apparently about to feel a castigation of similar severity.

May Include Industrials

The famous Constitutional clause, giving Congress the right to control interstate commerce, has been invoked in this instance, as the basis for the proposed law. It is contended that, since electricity and gas are transmitted across state lines, the business comes within the jurisdiction of Congress. Thus the power of Congress becomes further broadened by this interpretation, and it is held by those who are opposed to the bill that if the interstate clause thus can be made to apply, it can, with equal logic, be applied to any concern that does a business where its products, or even the smallest portion of them, are carried from one state to another. If this is true, then there is no protection against the extension of the law to cover not only utility holding companies but railroad holding companies and every other sort of business enterprise. It would be easy to make the proposed law applicable to general industry simply by striking out such words as "electricity" or "light, power and gas". And if this danger looms, it then becomes the duty of general business, it is asserted by opponents of the measure, to fight against its enactment, as something that will make practically all business subject to the dictates of a bureau at Washington and reduce the various states to a national business vassalage.

Back in 1928 the Senate of the United States adopted a resolution which may be said to have provided the ammunition with which to destroy opposition to the pending bill against utility holding companies. This resolution instructed the Federal Trade Commission to investigate public utilities, with special emphasis on the operation and functioning of holding companies. The adverse findings of the Commission have been briefly incorporated in the pending bill and offered as an argument to sustain the theory that holding companies are not worthy of existence. Save where the findings have to do specifically with utility companies, as such, the indictments might be used with equal justice against holding companies in any other field.

In the final paragraph in Section 2 of the bill, in which the adverse comment is cited, it is stated:

"It is hereby declared to be the policy of this Act, in accordance with which policy all the provisions of this Act shall be interpreted, to meet the problems and eliminate the evils connected with the public utility holding company as enumerated in this section; and for the purpose of effectuating such policy to compel the simplification of public utility holding company systems and the elimination therefrom of properties not economically and geographically related in operations, and *to provide at the end of five years for the abolition of the public utility holding company.*" (The italics are ours.)

This paragraph suggests the futility of a royal physician trying to restore to health a patient, whom, under order of his sovereign, he is going to chloroform in the next few minutes.

The bill provides that holding companies affected, in order to continue to function, must be registered with the

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Where Do Railroad Security Holders Stand?

Threats and Promises in Forthcoming Legislation—Leading Roads Classified as to Investment Merit

By Pierce H. Fulton

RECENT developments, particularly at Washington, with respect to the railroads, have given their security-holders good reason to ask, "Where do we stand now, and where are we likely to stand if most of the proposals now under consideration, for and against the railroads, are made effective?"

Washington the Railroad Capital

First of all, railroad security-holders should fully realize that Washington is the headquarters for their properties to a greater extent than ever before. This applies particularly to the railroads that have had occasion to borrow heavily from government agencies—Reconstruction Finance Corporation and Public Works Administration—and that will be obliged to seek further loans from the same sources for various purposes. It applies to a lesser extent to all the railroads, the extent varying according to the financial position of the carrier.

Of course, ever since the Interstate Commerce Commission was organized in 1887, Washington has been the center for an ever-expanding supervision and regulation of the steam carriers by that body. But not until a little more than three years ago did it begin to become, in a notable way, the financial headquarters for them as well. Prior to that time, when the railroads needed money for special purposes, too large in amounts to be taken from earnings, or which properly should be supplied through capital, they went to New York and worked out a plan with their bankers.

Some three years ago the banks stopped loaning money to the railroads. Then the only available sources were the two agencies set up by the Federal Government, already mentioned, the R F C and the P W A. It is from those sources that the railroads have got their money, almost exclusively, since the banks stopped lending and public financing became difficult, and from them, apparently, they must continue, at least to try to get what they may need in the future.

Photo by Nesmith.

Impending Legislation

While the operating and traffic headquarters of the railroads are yet at the various geographical centers where they always have been, still the heads of those two highly important departments are by no means divorced from the National Capital. On the contrary, they are closely and directly connected with it, through their respective regional co-ordinating committees, which maintain the closest relation with Joseph B. Eastman, Federal Co-ordinator of Transportation, the center for whose never-ending activities is decidedly Washington.

Just now it is the headquarters of the railroads, especially from a legislative point of view. In fact, the inclination has become quite general to think more about what Washington is going to do for or against the railroads than of the probability of traffic and earnings increasing materially in the areas where the properties of the carriers are located.

Various bills have been introduced in Congress which, if enacted into wise laws, should be very helpful to the railroads. Of special interest in this category are the measures suggested by Federal Co-ordinator Eastman for regulation by the I C C of mediums of transporta-

tion other than the railroads. This has been wanted by the railroads for some time and, according to advices from Washington, regarded as trustworthy, will not be opposed by the bus and truck interests to the same extent as heretofore. It is claimed that they now have a better realization of the importance to their own interests of reasonable regulation of themselves.

New Bankruptcy Act

Unfortunately this legislation, according to Mr. Eastman's recently published report on "Transportation," involves a radical revision and enlargement of the I C C. It has been strongly opposed by that body and has not been received with general favor in railroad and banking circles. It provides, among other things, for 16 instead of 11 members, as at present, and for four divisions, Finance, Railroads, Water and Pipe Lines and Motor and Air.

Mr. Eastman's report recommended also a radical revision of Section 77 of the Bankruptcy Act. These recommendations, if they were to go through, would be of vital importance to the owners of securities of railroads now in receivership or bankruptcy, or that may be compelled to enter that unfortunate state.

These recommendations provide, and bills embodying them have been introduced in Congress, that, with consents of creditors owning more than half of the established claims in the proceeding, or owners of more than half the stock of the company outstanding, the court may declare a reorganization plan operative, instead of on consents of 66 2/3 per cent, as formerly.

The most radical feature of Mr. Eastman's recommendations for revising this Act stipulate that "the court may, after further hearing, and if it finds the plan fair and equitable, make it effective without such consents." It is doubted seriously in railroad and banking circles that this latter recommendation will be adopted by Congress.

Labor's Demands

The labor situation, like "death and taxes" for the individual, is ever much in evidence with the railroads. Of late the legislative aspects of it have been particularly disturbing. The American Railway Labor Executives' Association, notwithstanding strong urging to the contrary by Federal Co-ordinator Eastman, has announced its determination to advocate the passage of a labor program that would call for the following:

1—A six-hour day without reduction in compensation.
2—A full crew bill.
3—A train limit bill.
4—An amendment to the Employers' Liability Act, so as to take away the defense of assumed risk.
5—An amendment to the Hours of Service Act reducing the present 16-hour limit to 12 and the present 9-hour limit for train dispatchers to 6.
6—A bill for government inspection and control of track conditions.
7—A bill for government control of signal devices.

It is estimated that the proposed 6-hour day alone would add at least $400,000,000 to railroad expenses. R. V. Fletcher, general counsel of the Association of American Railroads, says that "Federal legislation now pressing for enactment would cost the railroads of the country $1,250,000,000 a year, without improving efficiency, service, or safety."

These are big figures and, if in effect, would add greatly to the burdens of the railroads, now already heavy, largely because of government action. It should be remembered in this connection that the railroads of the United States as a whole are paying about $1,000,000 a day in taxes.

Their operating expenses in 1934 were increased by many millions of dollars by the partial restoration of the 10 per cent deduction in wages that began with 2½ per cent on August 1, 1934, and that was increased by another $30,000,000 on January 1 of this year. The higher cost of materials and supplies, notably coal, under N R A provisions, also has added many millions to railroad operating expenses, and, of course, has reduced net railway operating revenues accordingly. The latter is of vital importance to owners of stocks in the few railroads still paying dividends and to the owners of bonds in the still larger number of railroads that are not earning fixed charges and that have borrowed heavily, and likewise to those in receivership or bankruptcy.

Freight Rate Revision

The two railroad decisions pending in Washington in which there is the greatest interest is that of the I C C on an application for an increase in freight rates averaging about 10 per cent, and of the United States Supreme

Group I

Railroads Which Are Earning Fixed Charges, Paying Dividends and Have Not Borrowed from the Government Except for Special Purposes

	1934 Fixed Charges Times Earned	1934 Earned Per Share	1934 Divs. Paid
Atchison	1.5	0.33	2.00
Bangor & Aroostook	2.2	4.96	2.50
Chesapeake & Ohio	3.8	3.67	2.80
Louisville & Nashville	1.3(e)	2.53	3.00
Norfolk & Western	6.4	13.90	10.00
Pennsylvania	1.2	1.43	1.00
Union Pacific	2.3	6.60(e)	6.00

(e)—Estimated.

Group II

Roads Which Did Not Earn Fixed Charges in 1933 and/or 1934 and Have Borrowed Extensively

	Fixed Charges Times Earned 1933	Fixed Charges Times Earned 1934
Atlantic Coast Line	0.70	0.93
Baltimore & Ohio	1.01	0.90(e)
Del., Lack. & Western	0.66	0.75
Erie	1.03	0.95
Great Northern	0.84	0.95
Illinois Central	1.01	0.75(e)
New York Central	0.91	0.87
Northern Pacific	1.02	1.00
Southern Pacific	0.85	1.05
Southern Rwy	0.96	0.84

(e)—Estimated.

Group III

Roads Which Have Borrowed Heavily and Which Have Practically Exhausted Available Collateral

	Fixed Charges Times Earned 1933	Fixed Charges Times Earned 1934
Chic. & North Western	0.55	0.51
Chic., Mil., St. Paul & Pac.	0.65	0.33
N. Y., N. H. & Hart	0.74	0.70

Group IV

Roads in Receivership or Bankruptcy

Chicago & Eastern Illinois
Chic., R. I. & Pac.
Missouri Pacific
Seaboard Air Line
St. Louis-San Francisco
Wabash

Court on the constitutionality of the blanket pension bill that was passed by Congress and promptly attacked by the railroads.

The possible adverse affect on the business of the country in general and on the traffic of the railroads in particular of the great uncertainty over the outcome of many features of the so-called Washington situation as a whole constitutes another problem which is causing some prominent railroad executives considerable concern and which owners of railroad securities will do well to watch and give careful consideration.

The foregoing are some of the outstanding instances of the position of the railroads, particularly so far as Washington is a dominant factor. For railroad security-holders to attempt to determine where they stand or where they may stand later on, even in the present year, it is necessary for them to realize what kind and grade of railroad securities they own and to know also the position of the railroads that issued them. In reaching this determination, it will help to make a rough classification of some of the most talked-about railroads, largely on the basis of their financial strength and earnings. There are four such natural groups, as shown in the accompanying table.

Four Major Security Groups

Group 1.—Those that are earning a net income, paying a dividend of some kind and not borrowing from the government, except for a special purpose, such as the $77,000,000 by the Pennsylvania from the P W A to complete the electrification of its lines from New York to Washington. If it should become necessary for any of the companies in this group to borrow money they would be in a better position than any of the others to get it on advantageous terms. There is nothing for the bond holders of these companies to be concerned about and nothing for the stockholders, either, except as to the rate of dividend likely to be paid on the common shares.

Group 2.—In this group belong the railroads that have borrowed, extensively in some cases, from both the banks and the two government agencies, but which have not exhausted their collateral and are in a reasonably good position to get more money if needed. They did not earn their fixed charges in 1933 or 1934. The only possible exception in the case of these roads with respect to earning fixed charges was Northern Pacific, and it was able to show them earned only by the declaration of an extra dividend on Northwestern Improvement Co. stock, all of which it owns. Unless earnings pick up considerably this year, and with the possible exception again of Northern Pacific, probably these roads will have to ask the R F C or P W A for more money for various purposes. The chief problem of Great Northern in the next few years will be maturities.

Group 3.—The roads that properly go in this group have borrowed heavily from the banks or the Government, or both, and have practically or actually exhausted available collateral likely to be considered in connection with applications for further loans from government agencies. Security holders in these roads have considerable occasion for concern. Unless earnings improve to a greater extent than expected, it will be difficult for them to get more money from the Government, unless it makes its requirements considerably easier than heretofore.

Group 4.—In this group belong all the roads in receivership or bankruptcy. Holders of the securities of these roads can have only a vague idea of where they stand now or where they are likely to stand later on. This is particularly true in the case of roads for which no reorganization plan has been brought forward. The statement applies even in the case of a road for which a reorganization plan is under consideration. The Missouri Pacific furnishes the most striking illustration of the latter so far.

In the foregoing we have a rough but reasonably comprehensive picture of the position of the railroads in general, more particularly the Washington side. Their immediate future, especially of the roads that are not in a strong financial position, depends very largely on the extent to which traffic and earnings increase this year, and likewise on what Washington does or does not do with respect to the steam carriers.

R F C Continues

The life of the R F C has been extended for two years from February 1, 1935, with powers materially increased. It is authorized to make loans to railroads up to $350,000,000. Much will depend upon whether it makes its requirements for the granting of loans less stringent. Since its organization, the R F C has loaned the railroads a total of $457,856,000, and from February 2, 1932, to December 31, 1934, it made a profit on all its transactions of $65,175,963—a pretty successful business enterprise on that basis.

In connection with the loans that the R F C has made to the railroads it should be kept in mind that something will have to be done about them as they mature. It has been assumed quite generally that in most cases the loans would be renewed, as there was nothing else that could be done, without causing a considerable number of receiverships.

A plan has been studied by several large financial institutions in this city that are holders of big amounts of railroad bonds, that, in a word, provides for the issuance by a railroad unable to earn all its fixed charges, to the R F C, of notes running from 6 to 10 years, in return for which, together with coupons paid that would be "kept alive," the R F C would advance sufficient funds for five years to make up deficits on the fixed charges of those roads. Unless earnings improve quite rapidly in the near future it would seem that something of this kind must be done.

Watch Developments

Having found to which one of the four groups the securities held belong, owners should follow closely all the developments regarding the affairs of the company or companies that issued the securities. This statement applies especially to groups 2, 3 and 4. As already stated, there is not much occasion for apprehension regarding those in Group 1, unless there are distinct indications that the company is likely to slip into Group 2 by reason of a falling off in earnings and a weakening of its financial position.

In considering the position of securities in groups 2 and 3, special attention should be given to the question of capital maturities this year. No company outside of Group 1 could meet a maturity of any real size without help from its bankers or the Government, unless the holders would consent to a straight extension, or take in exchange for the whole issue securities less attractive on the basis of safety and interest returned. As a matter of fact, the aggregate of railroad maturities in 1935 is not as large as for either of the last two years. It is placed at about $312,357,000, against $448,900,000 in 1934, $336,306,000 in 1933 and $269,987,000 in 1932. These figures are in contrast with $625,500,000 in 1915.

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Bonds Go to Record Heights on Gold Decision

Why Was There No Decline When Bondholders Lost Their Chance to Obtain a Premium of 69 Per Cent?

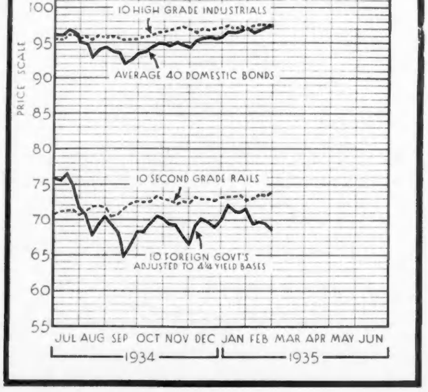
By J. S. Williams

FOLLOWING the Supreme Court's decision outlawing the gold clause in bonds, the market soared to record heights. United States Government obligations led the movement and all other classes followed in the most comprehensive demonstration that has been seen in a long time. It is interesting to speculate upon what would have happened had the decision gone the other way. Would "gold clause" bonds have jumped wildly forward on the theory that their owners were about to collect coupons at the rate of $1.69 for each $1 of face value and would bonds without such a clause have staged rapid declines?

We do not think that there would have been any more than the mildest of flurries along these lines. In the first place, there could hardly have been a man in a million who really thought that there was any chance of collecting a premium on gold clause bonds, whatever the Supreme Court's decision. The Government would have done something to prevent it: taxed the premium a hundred per cent, or even gone back to the old gold standard. In the second place, in the unlikely event that there had appeared to be a chance of collecting the gold premium, it would have meant bankruptcy for so many railroad, utility and other corporations that consequently there would have been sharp declines in their bonds and other securities. This would have affected the whole bond market.

Here is the clue to the way the market actually acted following the outlawing of the gold clause. The rise was brought about by "relief", with millions of investment funds seeking a profitable outlet exerting a powerful force in the background. The gold clause decision, despite the fact that it removed the bondholders' chance of obtaining a premium, enhanced the safety, on the present currency basis, of so many fixed-income securities that a rise now appears to have been the most logical thing.

But how long will it last? After all "relief" as a motivating factor in any situation is not usually of long duration: it did not last very long in the stock market the week of the decision. In the case of bonds at the present time, however, it is far from being the only influence; "relief" may have been the principal factor in the most recent upward spurt, but bonds have been rising—here and there a downward interruption, of course—since the middle of 1932. The force behind this long rise is still operating and, so far as one can see, will continue to operate for some time. It is the mounting demand for investment mediums during a time when no increase is taking place in the supply.



The meager supply of new investment mediums is partly the fault of security and stock exchange legislation, but the important reason is more fundamental. During a time of business contraction and even for some time after business has commenced to climb the upward slope, new security issues are few and comparatively far between. But when on top of this there is extreme political and monetary uncertainty, so that no one wants to start a new business or expand an old one, the scarcity of new issues becomes even greater than it would have been otherwise. This is the situation today and so long as it lasts it is hard to see how bond prices can be other than extremely well sustained. Between 1899 and 1903 bond yields were on a basis comparable to that of the present time so that it would be a mistake to believe, just because the current market appears to be ridiculously high, that it simply cannot last. It can, and probably will, last until anxiety over the purchasing power of the dollar offsets the influence that now predominates—easy money.

It is, of course, impossible to say when the present situation will change. The Supreme Court decision in the gold clause cases, while naturally carrying nothing of active inflation in itself, nevertheless carried an inflationary implication if only because it upheld a previous action of the Government that obvi-

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The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration, while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned†		Price		Yield to Maturity	COMMENT
			1933	1934E	Call‡	Recent		
Central R. R. of N. J. Gen. 5s, 1987	54	49	.6	.7	N C	108	4.6	Good bond, though the issue represents large proportion total debt.
Chicago, Milwaukee, St. Paul & Pac. R. R.								
Gen. "A" 4s, 1989	478	150	.7	.6	N C	51	7.9	No more than fairly strong.
50-yr. "A" 5s, 1975	478	106	.7	.6	105*	21	23.8§	Junior to the large general mtge.
Conv. Adj. "A" 5s, 2000	478	183	.7	.6	105	6	...	Junior to two issues above. Speculative.
Chicago & North Western Ry.								
Gen. 5s, 1987	440	156	.5	.5	N C	55	9.2	Second grade.
1st & Ref. 4½s, 2037	440	100	.5	.5	N C	21	21.4§	Junior to issue above. Dec., '34 int. paid.
Conv. 4¾s, 1949	440	72	.5	.5	105*	17	28.0§	Unsecured and speculative. Nov., '34 int. paid.
Secured 6½s, 3.1.36	440	15	.5	.5	N C	64	10.2§	Secured by $18,000,000 Gen. 5s.
Milwaukee, Sparta & N. W. 1st 4s, '47	440	15	.5	.5	N C	51	11.7	Outstanding at a high rate per mile. None too strong.
St. Louis, Peoria & N. W. 1st 5s, '48	440	10	.5	.5	N C	...	...	
Colorado & Southern Ry.								
Ref. & Ext. (now 1st) 4½s, 5.1.35	49	36	.8	.7	101	92	5.0§	Reasonably strong, refunding plan in the making.
Gen. "A" 4½s, 1980	49	20	.8	.7	110*	65	7.1	Junior to issue above.
Fort Worth & Denver City 1st 5½s, 1961	49	8	.8	.7	105*	...	...	Good grade bond.
Illinois Central R. R.								
**1st 4s, 1951	373	13	1.0	.9	N C	104	3.8	Entitled to a high grade rating.
Ref. 4s, 1955	373	63	1.0	.9	107½	83	5.4	Prior liens total some $56,000,000.
Coll. Tr. 4s, 1952	373	15	1.0	.9	N C	81	5.8	Collateral consists of first mtge. bonds of feeder roads. Sound issue.
*15-yr. Sec. 6½s, 7.1.36	373	8	1.0	.9	N C	100	6.5	Good grade.
4% Leased Line Stock Certificates	373	10	1.0	.9	N C	51	7.9§	Secured by 10,000 shares Chic., St. Louis & N. O. R. R. A reasonably good holding.
40-yr. 4¾s, 1966	373	35	1.0	.9	102½ '36*	56	9.0	Unsecured by mortgage. None too strong.
Notes, 6s, 6.1.37	373	13	1.0	.9	101*	74	8.1§	
St. Louis Div. & Ter. 1st 3½s, 1951	373	13	1.0	.9	N C	87	4.5	Good grade.
Purchased Lines 1st 3½s, 1952	373	12	1.0	.9	N C	...	...	Reasonably sound issue.
Louisville Div. & Ter. 1st 3½s, 1953	373	23	1.0	.9	N C	91	4.2	Better grade.
Chic., St. Louis & N. O. Joint 1st & Ref. "A" 5s, 1963	373	71	1.0	.9	110	70	7.6	A medium grade bond.
L., N. O. & Texas Coll. Tr. 4s, 1953	373	23	1.0	.9	N C	74	6.3	Reasonably strong.
Chic., St. L. & N. O. 1st Con. 5s, '51	373	18	1.0	.9	N C	104	4.6	Better grade.
New York, Chicago & St. Louis R. R.								
1st 4s, 10.1.37	182	17	.9	.9	N C	101	3.6	Better grade.
Ref. "C" 4½s, 1978	182	99	.9	.9	102	60	7.7	Junior to issue above and prior liens thereto.
Notes 6s, 10.1.35	182	15	.9	.9	100	64	9.4§	Unsecured and speculative.
Reading Co.								
Gen. & Ref. "A" 4½s, 1997	136	76	1.7	1.6	105	107	4.2	Better grade.
Jersey Central Coll. 4s, 1951	136	21	1.7	1.6	105	100	4.0	Collateral is valuable. Good bond.
**Washington Terminal 1st 3½s, 1945	..	12	....	....	N C	...	...	Guaranteed by B. & O., etc. High grade.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1933	1934E	Call‡	Recent	Yield to Maturity	COMMENT
Brooklyn Union Gas Co.								
1st Cons. 5s, 1945	49	15	2.8	....	N C	117	3.0	Of the highest grade.
1st & Ref. "B" 5s, 1957	49	16	2.8	....	107*	110	4.3	Junior to issue above, but still high grade.
Deb. 5s, 1950	49	18	2.8	....	103½*	104	4.6	Strong bond, tho not secured by mtge.
Cincinnati Gas & Elec. 1st "A" 4s, 1968	35	35	3.8	3.0	100	107	3.6	Of the highest grade.
Dayton Power & Light 1st & Ref. 5s, 1941	20	18	2.9	....	105*	108	3.5	Better grade issue.
Duke Power 1st & Ref. 4½s, 1967	62	40	2.4	....	104½*	107	4.1	Better grade investment.
Florida Power & Light Co.								
1st 5s, 1954	74	52	1.1	1.1	103¾*	75	7.5	Small margin over charges. Second grade.
Deb. 6s, 1951	74	22	1.1	1.1	....	......	...	All owned by Am. Pwr. & Lt.
Houston Lighting & Power 1st & Ref. (now 1st) "A" 5s, 1953	28	28	2.6	2.6	103*	105	4.6	Better grade.

ll Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1933	Fixed Charges times earned† 1934E	Price Call‡	Price Recent	Yield to Maturity	COMMENT
★Jersey Central Pwr. & Lt. 1st "C" 4½s, 1961	42	42	1.8	....	105*	100	4.5	Better grade bond.
Laclede Gas Light Co.								
Ref. & Ext. 5s, extd. 4.1.39	36	20	1.3	....	100	100	5.0	Fairly good bond.
1st Coll. & Ref. "C" 5½s, 1953	36	23	1.3	....	103*	67	9.3	Junior to issue above, tho $10,000,000 of the former pledged hereunder.
Louisiana Pwr. & Lt. 1st 5s, 1957	18	18	1.9	1.9	104¾*	93	5.6	Medium grade.
Louisville Gas & El. 1st & Ref. "A" 5s, 1952	31	27	2.5	....	110*	110	4.2	Better grade.
Massachusetts Gas Cos.								
20-yr. 5½s, 1946	51	16	2.0	....	105	100	5.5	Ranking equally, both these issues are good grade.
★Deb. 5s, 1955	51	24	2.0	....	103	92	5.7	
Boston Con. Gas Deb. 5s, 1947	11	11	4.5	....	105	108	4.1	Senior to two issues above. Strong bond.
Minn. Pwr. & Lt. 1st & Ref. 4½s, 1978	35	29	1.5	....	101¾*	90	5.1	Reasonably strong.
Montana Power Co.								
1st & Ref. 5s, 1943	46	29	1.6	1.5	105	102	4.7	Good bond.
Deb. "A" 5s, 1962	46	13	1.6	1.5	104*	79	6.7	Junior to issue above and prior liens thereto.
New Orleans Public Service, Inc.								
1st & Ref. "B" 5s, 1955	54	30	1.2	1.1	104*	67	8.4	Second grade.
Gen. 4½s, 7.1.35	54	12	1.2	1.1	105	66	...	Proposing a payment of 10% in cash and balance extended to 1942.
New York Edison								
1st Lien & Ref. "B" 5s, 1944	123	85	4.4	3.5	105*	108	4.0	High grade investment bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	4.4	3.5	N C	120	3.1	Assumed by New York Edison. Gilt-edged.
do P. M. 4s, 1949	123	21	4.4	3.5	N C	111	3.0	
Ohio Edison Co.								
1st & Cons. 5s, 1960	70	27	1.6	1.9A	105*	104	4.7	Has considerable merit.
Northern Ohio Pwr. & Lt. Gen. & Ref. 5½s, 1951	70	18	1.8	1.9A	105*	106	5.0	Ohio Edison assumes these bonds. They are approximately of the same grade as issue above.
Penn-Ohio Pr. & Lt. 1st & Ref. 5½s, '54	70	19	1.8	1.9A	104*	106	5.0	
Southern California Gas Co.								
1st & Ref. (now 1st) "B" 5½s, 1952	27	12	2.6	....	102½	105	5.1	Better grade.
1st Mtge. & Ref. 4½s, 1961	27	21	2.6	....	105*	103	4.3	Ranks slightly below issue above.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1933	1934E	Call‡	Recent	Yield to Maturity	COMMENT
Aluminum Co. of America Deb. 5s, 1952	35	34	....	....	105*	107	4.4	Real caliber difficult to ascertain, but probably good grade.
American Rolling Mill Co.								
Conv. Notes 5s, 11.1.38	40	13	.7	....	102½*	108	2.9	Conv. $1000 into 40 shares of common now selling around $20 a share.
★Deb. 5s, 1948	40	24	.7	....	103*	99	5.1	Upturn in business improves caliber.
California Packing conv. Deb. 5s, 1940	13	13	5.9a	....	103*	104	4.1	aYear to 2.28. Great come-back has improved bond's quality.
National Dairy Products Deb. 5¼s, 1948	70	70	2.7	....	103¼*	104	4.8	Industry's condition is now more settled. Bond is entitled to a good rating.
National Steel 1st Coll. 5s, 1956	39	37	2.3	....	105*	107	4.5	Entitled to a high rating.
★Remington-Rand Deb. "A" 5½s, 1947	18	18	2.2c	....	104*	100	5.5	cYear to 3.31.34. Company strong financially and doing better.
Socony-Vacuum Corp.								
Std. Oil of N. Y. Deb. 4½s, 1951	50	50	4.9	....	101*	104	4.2	High grade.
Texas Corp. Deb. 5s, 1944	101	90	1.0	....	101½*	104	4.4	Better grade industrial bond.
Tobacco Products (N. J.) Coll. Tr. Deb. 6½s, 2022	36	36	....	....	100	...	...	Bonds have been called, American Tobacco having commuted lease.

Short-Term Issues

Company	Due date	Total funded debt (mil'ns)	1933	1934E	Call‡	Recent	Yield to Maturity	COMMENT
★★Atlantic Refining Deb. 5s	7.1.37	14	10.1	....	N C	107	2.2	Better grade investment.
Buffalo Gen. El. 1st Ref. 5s	4.1.39	7	2.1	2.2	105	107	3.1	High grade bond.
Chicago Gas Light & Coke 1st 5s	7.1.37	10	1.4k	1.3k	N C	104	3.6	kEarnings Peoples Gas. Better grade investment.
Gulf Oil Deb. 5s	12.1.37	28	def	....	103½	104	3.6	Better grade issue.
Midvale Steel & Ordnance Conv. 5s	3.1.36	31	def h	1.1hA	105	103	2.0	hEarnings Bethlehem Steel. Better grade.
★★New York Telephone 1st & Gen. 4½s	11.1.39	61	4.6	....	110	110	2.3	Gilt-edged.
Pacific Tel. & Tel. 1st & Coll. 5s	1.2.37	26	3.8	....	110	106	2.0	Of the highest grade.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends minority interest, etc. ‡ An entry such as 105 '38 means that the bond is not callable until 1938 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. ★★ Our preferences where safety of principal is predominant consideration. ★ Our preferences where some slight risk may be taken in order to obtain a higher return. § Current yield. E Estimated. A Actual earnings.

Heavy Stocks Hold Back Copper

Can Forthcoming Parley Among World Copper Interests Work Out a Profitable Basis for Recovery?

By C. S. Burton

THE market in copper — the world market—is never quiescent for any great length of time. There is almost always something doing in copper. History is replete with attempts to grasp and hold control of its production. Its place as an absolute prerequisite in so many activities, the comparatively few sources of substantial production, its world-wide use have given it a unique place.

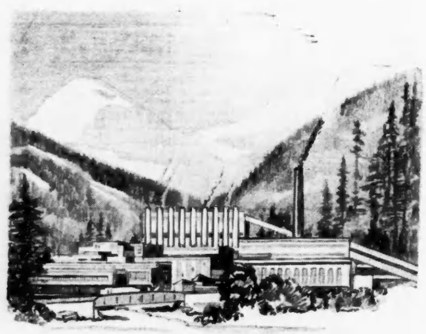
It is to be expected, then, at this time when the whole world seems bent on restrictive measures, determined to proceed to the farthest extremity to exercise outside control over all kinds of production, that measures should be projected looking to the control of copper output.

That is one feature of the moment—and of sufficient moment to merit attention and discussion.

Recent Consumption Rises

Another and more surprising phase of copper is the current demand for the metal. We are all only too familiar with the troubled state of European affairs. That Continental Europe should have taken in the month of November more copper than in any one month since such records have been kept seems difficult to reconcile with our impressions of the general state of trade and finance. Two hundred and one million pounds taken outside of the United States for the month of November shows a peak for all time. The average for the eleven months ended November, 1934, was 160,600,000 pounds; for October, 184,000,000 pounds. This trend is partially explainable by extension of electric lines and other expansion but it leaves enough unaccounted for to raise the query as to whether such increased consumption does not mean greater activity in armament manufacture.

It is quite to be expected that inquiry would be met by the bland statement that the price movement is due to bids by consumers in anticipation of the formation of an efficient and active cartel. This writer has so often directed attention to the small number of voices which could speak for all of the substantial copper producers, and at the same time directed attention to the fact that effective agreements have always proven impossible.



The present situation quite inevitably turns upon the current experiences of the South African producers. The Union Miniere du Haut Katanga is the big industry of the Belgian Congo; any curtailment of the company's operations would seriously affect the morale of the entire colony. The Belgian Congo is an empire rich in resources but, as the Texas cowboy said of Chicago after a few days' stay "It is so far from anywhere". The government's problem has been and still is to find colonists outside of the missions who will make permanent homes in the Congo. These factors are mentioned here because they are a part of the reason why Belgium is unwilling to drastically cut down Katanga's output.

Just across the border line to the South from Katanga are the Northern Rhodesian copper mines, just approaching capacity production, only to find a market that shows all too little profit, even though they get their costs down to around 5 cents a pound or lower.

Our own copper producers obtained tariff protection of four cents a pound, so that the domestic market may not be invaded so long as the price is kept at a point to make the tariff an effective barrier. However, American capital is very heavily interested in Northern Rhodesia and this is expected to assist the parley or forthcoming conference to arrive at some generally satisfactory conclusion. British and Belgian interests have been in conference in London. Later American producers may also participate, although plans are as yet altogether tentative.

The profit may be and undoubtedly is partly a secondary matter in the case of Katanga, and then again Katanga's scattered ore bodies give up a number of valuable by-products; but the Northern Rhodesian British owners do not relish selling metal so little above actual cost. At the same time Chile Copper of the Anaconda, and Braden of the Kennecott can hold some part of the European market against all comers. So it begins to seem worth while to talk things over.

Obstacles to Agreement

Anent this hoped for agreement among copper producers it must be recognized that they face a somewhat difficult situation aside from the mere matter of output quotas. We have a duty of 4 cents per pound which bars to our own consumers any metal from Chile where Anaconda makes electrolytic copper. France imposes a 2% ad valorem tax on copper from Canada, Great Britain and Belgium, and a 4% duty against any other North or South American copper. Germany's difficulty is to accumulate any foreign balances available to pay for copper.

The situation impinges upon our fabricators in sales of wire, sheets, rods and bars and more fully fabricated items abroad, putting them in competition with duty free copper made up in England.

Canadian producers have a problem all their own. International Nickel must maintain a balance between nickel and copper and Noranda has high gold values that induce the piling up of copper rather than any curtailment of output.

There was a time when some of the Rhodesian executives were inclined to gloat a bit and prophesy that competitors of the Western Hemisphere would be forced to shut down while Rhodesia took command and rolled up profits. The taking command was perhaps even simpler than anticipated due to the world-wide depression, but profits were another matter. Neither Anaconda nor Kennecott were inclined to sacrifice reserves to maintain a price war and now the British managers also seem to think it may be foolish to peddle such cheap copper when a decent understanding will show a satisfactory profit and relieve a lot of nervous strain. For a time African copper went into increasing stocks; now that policy is apparently about to be reversed, as it bids fair to be even less than profitless.

Competitive Forces

In order that the competitive forces may be somewhat more correctly weighed, it should be borne in mind that while the African properties have unusually high grade ore bodies, the Chuquicamata — Chile Copper — has more ore and more copper net than all of the known ore bodies of Northern Rhodesia combined, and if such ruthless tactics were justified could more than meet the price of African copper and still show small figures in the black.

It is that, in both cases, the figures, while in the black are too tiny, that makes the cartel appear as a possible life saver for the copper industry.

There is a lot of copper in the ground and it is natural that that which can be thrown on the market most cheaply, all things considered, will hold the market as long as it lasts. There are always the questions of proper mine operation. For example, Cerro de Pasco is in good stance now by reason of the betterment in silver, but the betterment in silver is not enough to help operations at Butte to anything like the same extent. Montana's ores extend to depths where temperature and hoisting charges are factors. The porphyries have no by-products and must produce hugely to produce at all. Greene Cananea, now owned by Anaconda, has ores that carry high precious metal values, but it is not good mine operation to sacrifice copper just to win the gold and silver values. So it goes, each mine has a problem or problems all its own.

One of the best-known authorities in the copper world estimates the United States to own about 60% of the present known copper ore reserves of the world, this figure including our interests in Africa and in Canada.

Canadian copper production for 1934 was 367,054,472 pounds. This is record production for Canada and 21% over 1930, the previous record year in copper, but in the income figures there is a different story; 1930's production came to $37,948,359, while the larger volume in 1934 came to only $26,881,000.

American Production

The figures from our own copper mining districts show operations at a minimum. Anaconda's output in Montana was only some 63,700,000 pounds which compares with 65,476,375 pounds in 1933, and Butte was closed down from May till September. Anaconda was a little better off by reason of price, the average price in 1934 was about 8 cents as compared with an average of 6.4 cents in 1933.

Arizona increased its copper output from 114,041,781 pounds in 1933 to 178,200,000 in 1934 or about 56%. The Copper Queen branch of the Phelps-Dodge at Bisbee; the Magma at Superior, the New Cornelia at Ajo all showed substantial gold and silver recoveries. Miami produced some cement copper. On 1934 average copper prices the Arizona output had a value of about $14,256,000. All of the copper producers in Arizona showed better figures because of precious metal by-products at increased prices. Gold at $35 an ounce and silver at 64.6 cents an ounce go further to bring down copper costs, it being ordinary practice to thus use the precious metal values.

Output Held Down

Utah, probably the lowest cost domestic producer, had an output of 85,585,000 pounds of copper in 1934 which means that Utah Copper was held down to about as little as it could extract and operate at all. Chino in New Mexico which had been operating on half time closed down in October. Chino is the big producer of Nevada Consolidated and has a tremendous body of low grade porphyry ore.

So much for domestic primary production. As to secondary copper—scrap in other words—it becomes more of a factor all the time because copper is so nearly indestructible; used as wire, say, where millions of tons are

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American Interests Lose Lead in Copper Output

The following figures show the interesting changes in production over the past 20 years.

Production in millions of pounds, 000 omitted.

	1913	1929	1930	1931	1932	1933
Entire World	2,182,343	4,291,695	3,515.455	3,057,559	1,983,037	2,306,232
United States	1,224,434	1,995,163	1,410,062	1,057,767	479,941	392,418
	56.107%	**46.49%**	**40.11%**	**34.596%**	**24.203%**	**17.016%**
Chile	93,254	706,794	485,673	492,594	227,514	359,349
	4.274%	**16.469%**	**13.816%**	**16.116%**	**11.474%**	**15.582%**
Canada	76,941	248,017	303,573	292,330	247,576	299,825
	3.525%	**5.779%**	**8.636%**	**9.561%**	**12.485%**	**13.00%**
Belgian Congo	16,535	302,030	306,219	273,370	131,394	207,673
	.757%	**7.038%**	**8.710%**	**8.941%**	**6.626%**	**9.00%**
Northern Rhodesia	....	14,329	17,416	52,249	152,117	233,467
		.334%	**.496%**	**1.709%**	**7.671%**	**10.124%**
Mexico, Spain, et al.	35,337	23,890	28,232	29,077	37,541	35,278

In 1913 United States controlled 60% of production in our own borders and Chile by 1933 this had declined to 32%.

Opportunities in Selected Oils

Protection Against Inflation—Improving Prospect in the Industry — Seasonal Factor Favors Current Acquisition

By Barnabas Bryan, Jr.

WITH inflationary forces being given a fresh impulse by the recent Supreme Court decision on the "gold clause," there is added reason for holding oil securities. Not only do they protect one against further devaluation of the dollar, but they are a natural investment regardless of that inflation. Carefully selected oils give one protection against practically all eventualities except the direct confiscation of private property.

The oils which are worthy of being called investments are likely to be companies which have large asset values. Their plant operations must be protected by large reserves of crude oil in the ground. This means a heavy investment, a slow turnover and low return on invested capital while the value of crude oil is declining. Crude reserves are invested capital which does not pay interest until the oil is produced. If oil prices are declining, then the recovery of capital invested in reserves is difficult, but as prices rise, such investment is increasingly easy to recover with interest and a profit. When the underground potential is declining as at present and when new discoveries are not keeping pace with production, large reserves become increasingly desirable.

Oil Stocks in Favored Position

Company	1934 Earnings	Price	Div.
Shell Union	Nil(e)	7	None
Tide Water Assoc	0.31(a)	9	None
Socony-Vacuum	1.00(e)	14	.60
Gulf Oil	2.00(e)	56	None
Standard Oil, N. J.	1.25(e)	42	1.25*
Standard Oil, Cal	1.01(a)	31	1.00
Humble Oil	2.50(e)	50	1.00
Imperial Oil	1.00(e)	17	.80*
International Petroleum	NF	30	2.00
Creole Petroleum	NF	12	None
Pure Oil	Nil(e)	7	None

(e)—Estimated. (a)—9 Mos. to Sept. 30. * Including extras. NF—Not available.

Improvement Prospects

If left to natural impulses, the recovery of the oil industry from this time would be by fits and starts with local points of glut and successively longer periods of profitable prices. Should it prove true that the national control of production does not cause too much acceleration of wildcatting, the improvement will be more uniform and will spread from the pure crude oil producing company to those that sell gasoline at retail. In that case the marketing and refining companies would be among the best investments in the industry today.

Perhaps it would be helpful to the investor if we were to discuss some examples of companies which are in a position to share in any improvement which takes place and which are amply protected with crude oil reserves. Those who believe that the betterment will be quickly felt by the marketing companies have a choice of companies such as the Standard Oils of Kentucky, Indiana, Ohio and Nebraska which are all competent companies which principally refine and market oil products. Our point of view is just that to the non-technical man the oil company which is an investment is operating in all phases of the industry and is protected with crude reserves.

Among the low-priced stocks, Shell Union may be mentioned as having the necessary requirements. Its oil reserves are ample, its pipeline facilities are adequate, its refineries are efficient and its marketing facilities are widely distributed. It made a bad mistake in the boom of extending its marketing outlets in the eastern states and with borrowed money. This is the cause of its present low price. But a high percentage of the borrowed money has been repaid and from this time any betterment in the industry should begin to show in the company's net earnings. Its depreciation reserves have been at least adequate and have been used in recent years for the retirement of debt.

It is difficult to make an engineering appraisal of Pure Oil which does not make it worth two or three times the present market price. Its great reserve of crude oil in the Van Zant pool could probably be sold today for more than the market price of the company. Then the company has the larger part of the oil of Michigan. But it also extended marketing facilities late in the boom to keep pace with its new crude resources and thus took on a handicap from which it still suffers. Then, too, it has drilled too many dry holes out of income in late years instead of being satisfied to begin to cash in on the reserves which are already proved. There may also be a market effect due to the connection of the company with the Dawes family and the affairs of the Dawes bank.

Favored Companies

Tidewater Associated is quite a different company today than in 1929. During the depression it has increased its proven oil in the ground by advantageous purchases and by the development of a very promising field in Texas, jointly owned with Seaboard Oil. This company is not a large owner of retail stations but does a large part of its marketing through tank-wagon distribution. Thus it does not have such a large marketing loss at present as some of the others. Its

profits may be related to the tank-car price of gasoline and an East Coast market which allows the profitable movement of California gasoline through the Canal.

Socony-Vacuum is a more complicated situation. Its management has probably improved greatly during the depression. It has taken a large capital writedown which should affect earnings for a long time. It has large interests abroad which give it an important advantage in protecting against inflation. It is one of those companies which will respond to the general state of the oil industry and do better than the average. Aside from adequate protection all along the line, it will benefit greatly through the improvement in oil marketing. One of its greatest handicaps during recent years has been the changing conditions in the lubricating oil market and the loss of some advantages formerly held by Vacuum.

Gulf Oil is another case of a company which made the mistake of expanding in refining and marketing too late in the boom. It is an excellent crude oil producer with plentiful oil reserves in the ground and all of the other adjuncts of integration needed to make it a fully rounded industrial concern. Under the conditions of 1933-1934 it has probably been making money in crude oil production and losing it in marketing. It has some advantages in refining which are likely to be of large value in the future. To anyone who feels that marketing difficulties will be cleared up and that confiscatory taxation will not eventually ruin all marketing companies owning retail service stations, this company may be recommended.

Another company which will occupy a more important position as the supply of crude oil diminishes is the Standard of California. Since the large fields of the Los Angeles basin were discovered this company has not been able to produce up to its full capacity because the supply has been vastly greater than the western markets could absorb. Great quantities of California crude and gasoline have since been dumped into the East Coast markets at prices which gave the California companies little or no profit but also destroyed the profits of many Eastern companies. In proportion as the Eastern United States pays enough for gasoline to allow the shipment of California gasoline and fuel oil through the Canal, the Standard of California will increase in earning power. It has a very large reserve of crude oil in the ground which only waits for a profitable market.

The Standard of New Jersey is benefited by the devaluation of the dollar. It has been estimated that the 41-cent reduction takes thirty to forty millions per year from somebody and gives it to this poor company. This is because so much of its income originates abroad and is transferred into dollars. It therefore has a strong protection against inflation by the mere fact of devaluation—an inflationary move. Its combined reserve of crude oil is probably the greatest in the world. It is truly a world company with property in most countries of the world where oil is found. Buying the stock at 40 and discarding everything but the crude reserves, one is probably paying less than 40 cents per barrel for oil in the ground.

The Jersey crude oil reserve is largely owned by subsidiaries some of which are listed on the exchanges. These companies have most of the advantages of the credit standing of the parent company and its large liquid position. They are thus able to expand freely when justified. No case has been found where the subsidiary has been charged exorbitant interest rates. They likewise have the benefit of the advice and guidance of the parent organization with its loyal personnel of men who know the oil industry from top to bottom.

Humble Oil & Refining represents the Jersey company in the State of Texas. The crude reserve is very large and has been estimated at more than 15% of the total oil resources of Texas. The company has an elaborate pipeline system which touches practically all fields in the state and connects with large modern refineries on the Gulf Coast. Through this system oil is supplied to the Jersey refineries on the East Coast. The retail marketing of gasoline is not a material part of this company's business. Since most of its gasoline is sold at wholesale its earnings are very much affected by the Group 3 price of gasoline in tank cars. Those who know this company best are enthusiastic about its future.

In Imperial Oil one is buying the outlook for gasoline marketing in Canada and South America, plus large crude oil resources in Colombia and Peru, through International Petroleum. Its present price is in part caused by the fear of the dollar, since it offers not only protection against inflation but at the same time is a fine investment for those who will hold it indefinitely. It has been adversely affected by the difficulties of gasoline marketing, but will make better profits when and as the balancing of crude production eliminates the production of distress gasoline.

International Petroleum appeals to the inflation fancy because it is the direct owner of such large crude oil reserves. For this reason it may be a little out of line if any miraculous happening should prevent the further depreciation of the dollar. Its oil reserves in Colombia are very large. The oil is of high quality, being rich in gasoline and a valuable source of lubricants. In Peru the company owns the present known fields of importance and refines the larger part of its production. It markets refined products on the West Coast of South America.

Creole Petroleum is the instrument through which the Jersey company is working in Venezuela. Its large reserves of proven oil make it rank very high as an investment in future crude oil production. It has the old Lago properties in Lake

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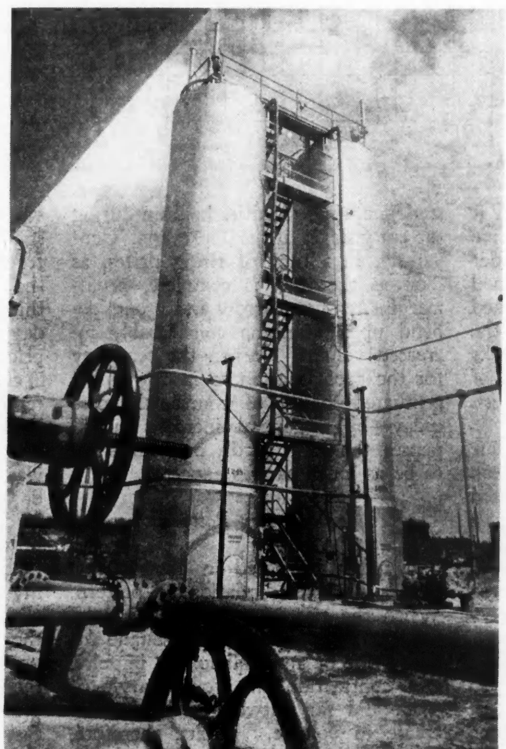


High Propane Tanks at Socony-Vacuum's Paulsboro plant

What's Wrong With the Merchandising Stocks?

Adjustment to Increased Costs Lags Despite Larger Sales Volumes

By George W. Mathis

NOTHING could have been better than the outlook for retail trade late last fall. Merchants everywhere reported business good and with every prospect of its getting better. Moreover, their optimism was well justified. Business *did* get better—a lot better. Buying during the Christmas season was generally excellent and in some districts almost sensational, for it was as good if not better than in 1929. Yet, through it all the merchandising stocks have done nothing.

At the end of October, last year, our index of department stores stood around 22. Just prior to the recent Supreme Court Decision it stood around 20. At the same time last year, our index of mail order houses stood at 43. Recently, it stood at 38. Nor has there been any marked peak between last October and the present time—the merchandising stocks just did nothing at all in reflection of the improved volume of their business. Why was this?

There is no one word answer. One cannot say that there is a single reason and it is to be found in taxes, increased expense, lower profit margins, or a stock market that had over-discounted the future. All these things played a part; in addition to which there were other factors.

Holders of merchandising stocks would have been less disappointed with their position if they had fully grasped one simple rule. It is this: initially, in a time of falling prices, it is volume that declines while profit margins tend to widen. Look how the earnings of the utilities, trade-marked foods and trade-marked specialties held up during the early stages of the depression. Conversely, in a time of rising prices, as soon as the turn is complete, profit-margins tend to narrow and profits depend upon attaining considerably increased volume. When the tendency for the profit margin to narrow is accentuated—as is, of course, the case today—by a general increase in expenses, the profit hardly ever turns out to be as much as was expected.

Inflationary Pattern

It might be noted in passing that this is a typical inflationary pattern. When the rise in prices is "normal," brought about by an active demand for goods free of any inflationary impulse, any contraction in profit margin is small and far outweighed by the increase in volume. Profits, therefore, move up sharply. On the other hand, when the rise in prices is of an inflationary nature, the contraction in profit margin is not offset to the same extent by the increase in volume. Hence, profits lag and, should the inflation go to undue lengths, they would disappear altogether. This is what happened in Germany and other countries some years ago. Here, there was a time when merchandising companies lost money on everything they sold, despite the fact that currency sales jumped a million-fold. They were selling, for example, some article which cost them 20 units for 40 units and then finding that they had to go out and spend 50 units in order to replace their stock.

In our own case, while we have not, of course, reached any such pass, there are signs that similar forces are acting. Take, for example, the mail order companies. When things turned, after the banking holiday in 1933, they joyfully raised their prices and reaped a veritable harvest in comparison with 1932. In his annual report to stockholders of Montgomery Ward & Co. for 1933, Mr. Avery, president, pointed out that inventory was being carried at approximately $8,000,000 below the then current replacement cost. Apparently, he was proud of this. Is it possible, however, that he failed to realize that low-cost inventories become used up in the merchandising business and that, when they are replaced at higher levels, the public's inherent resistance to what they consider an unjustified increase in prices, makes for a situation much less easy to handle?

In any event, all was well with the mail orders up to about the middle of 1934. At this time, their acceleration

became considerably less rapid. In August, Gen. R. E. Wood, president of Sears, Roebuck said that the prices of many items in his company's fall and winter catalogue had been reduced, representing a "real sacrifice of profit" in an effort to stimulate business from customers in the drought-stricken areas. Doubt may rest upon whether this move was taken only in order to stimulate business with drought sufferers, but it was certainly taken to stimulate business.

And now we find in the spring-summer catalogues of both Sears and Ward, further reductions in price. Sears states that its new prices average about 15% under those of a year ago, while Ward, whose new catalogue went out some two weeks ahead of its main competitor, claims average reductions of 6%. This should not be taken as representing the comparative prices being charged by the two companies, for prior to the new catalogue, Sears was probably higher than Ward.

Perhaps it may seem hard to reconcile the price *reductions* currently being made by mail orders with what was said previously about a *rising* price trend. But what has happened is this: while the general trend of prices since the spring of 1933 has been upward and is still upward, the mail orders (and also most other merchandisers) raised their's too fast. They tried to maintain their old profit margins. Finding this to be impossible, prices have undergone a temporary adjustment downward. But this does not alter the fact that the general price level is still in an upward swing, that at least a portion of the force behind the movement is inflationary, and that trouble is being experienced over merchandising profit margins.

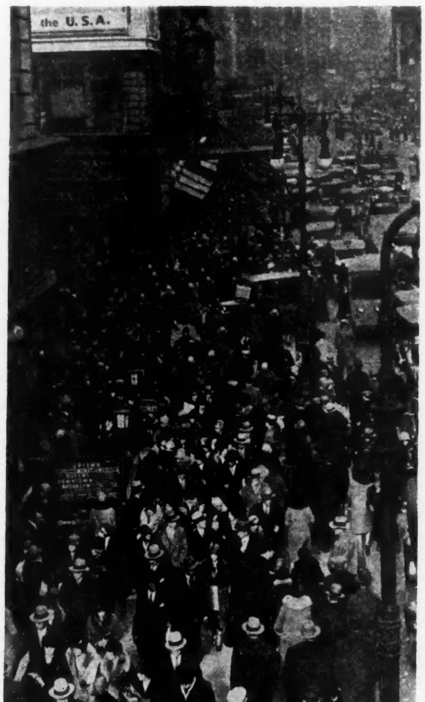
Both Sears and Ward, of course, will report greater earnings for the fiscal year ended last January than was reported for the previous twelve-month period, but the showing probably will be a disappointment to those who followed the phenomenal increases in sales that were reported regularly during the early part of last year.

By and large what has been said of the spread between buying and selling price—the truly vital part of the business—applies to merchandisers of every kind. Certain companies, however, have managed to modify its unfavorable aspects; others, because of special circumstances, or because of their particular line of business, have contrived to outweigh them, but the tendency has been there just the same.

On top of the basic difficulty of maintaining profit margins during a time of rising prices, merchants at the present time have an added problem in what may be termed an "artificial" increase in expenses. The N R A added to expense, in some businesses very severely by making it necessary to (1) add employees (2) pay higher wages, or (3) work shorter hours. "Stockroom" goods cost more: if the company owns property, repairs and maintenance cost more: and finally, and by no means least, taxes of all kinds are higher.

Taxation Burden Heavy

This matter of taxation deserves more detailed mention. It is a problem, of course for everyone, not only retailers of merchandise. On a certain class of the latter, however, it is a very pressing problem. These are the chain stores. By "chain store tax" is



meant a tax which discriminates against the chain store in favor of the independent merchant. Some seventeen states are imposing such a tax. In most of them it is a levy per store which increases as the number of stores increase—the more stores, the more per store. In other states, the same objectives are attained by a graduated tax on gross sales. Louisiana, however, has attempted to go other states one better. Although the legality of the imposition has not yet been finally settled, the law passed in Louisiana last year imposes a graduated tax per store—not according to the number of stores in the state—but according to the number of stores operated by the same company nationally.

On January 14, last, the Supreme Court by a five-four decision upheld the incidence of the West Virginia chain store tax on gasoline filling stations. The dispute was not only as to whether filling stations were chain stores in the eyes of the law, but whether the West Virginia statute violated the state's Constitution, and whether it was tantamount to taking property without due process of law. In the majority opinion written by Justice Cardozo, there were several very significant points for the owner of chain store securities. In reply to "whether the rates are so oppressive as to amount to arbitrary discrimination or to unlawful confiscation" the Justice wrote: "When the power to tax exists, the extent of the burden is a matter for the discretion of the law-makers . . . the state may tax the large chains more heavily than the small ones, and upon a graduated basis. Not only may it do this, but it may make the tax so heavy as to discourage multiplication of the units to an extent believed inordinate, and by the incidence of the burden develop other forms of industry."

Knowing that chain stores in many localities continue a subject of political ire, the possible longer-term implication of the West Virginia, and the previously decided Indiana case, are such that there should be no more amazement over the lack of buoyancy in chain store stocks—and this, despite the fact that earnings have held, and are still holding, up reasonably well.

There are, of course, always a few exceptions to any general rule. For example, the stocks of the big five-and-ten chains, Woolworth and Kresge have done much better than the majority of other companies in the chain field. In the case of Woolworth, however, it is interesting to note that the great part of the increased earnings reported for 1934 was made by foreign subsidiaries. Relatively, for this company, foreign business was much better than domestic business.

Although the department stores have not had to contend with anything like a chain store tax, nevertheless most of them have had as hard, or even a

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Profit Prospects in Unexploited Companies

Selections by THE MAGAZINE OF WALL STREET Staff from the Ranks of Those Companies, Which on the Basis of Present Position and Prospects, Appear to Be Behind the Market

Mead, Johnson & Co.

MEAD, JOHNSON & CO. is one of the leading organizations identified with a highly specialized field. The company engages in the manufacture of strongly established trade-marked dietary and medicinal specialties for children. Its principal products include "Mead's Dextri-Maltose," Mead's Viosterol, Cod Liver Oil and Mead's Cereal, together with an extensive list of infants' foods. For its manufacturing purposes, the company maintains one main plant and two smaller ones, as well as a completely equipped laboratory for the chemical study of infant feeding problems.

Through the depression the company's profits were subject to restricted public purchasing power and from the peak level of 1930 have shown a moderate recession in each of the subsequent years. On the whole, however, the company's depression experience has been more favorable than that of many other larger organizations in the food industry. Dividends of $3 a share have been paid—and earned—in each year since 1927, and 1933 was the first year since 1929 that the company failed to augment regular dividends with an extra. Last year, however, the company paid extra dividends aggregating 75 cents a share and earlier this year another extra of 25 cents a share.

Earnings Per Share

1933	1934	Recent Price	Div.	Yield
$4.91	$4.50(e)	$63	$4.00*	6.3%

(e) Estimated *Including Extras

The company's modest capitalization has in no small measure been responsible for its impressive dividend record. Ahead of the common stock are 170,000 shares of 7% preferred stock, par $10, requiring only $119,000 annually to meet dividends. The common is outstanding in the amount of 165,000 shares only; there is no funded debt. Finances have been maintained in excellent shape. On June 30, last, current assets, including cash and marketable securities of more than $2,600,000, totalled $3,856,816, while current liabilities were less than $600,000.

The report covering the company's operations for the full 1934 year has not been made available as this is written. In view of the fact, however, that in the first six months of last year profits were equivalent to $2.24 a share on the common stock, it is doubtless a safe assumption that for the complete year at least $4.50 a share was earned for the common. Profits in the initial half of 1933 amounted to $2.31 a share on the common, and for the full year, $4.91. Earnings last year, however, would have exceeded 1933 by a slight margin had the company not written off a loss on bonds sold of $37,418 against earnings in the first six months. Under the circumstances, therefore, it is probable that the downward trend in profits has been arrested.

During the past several years the company has met increasing competition from cheaper products, a natural consequence of the depression. There is, however, no indication that the company has suffered any serious loss of its markets which could not be recovered in large part, under better economic conditions generally. Mead products have always been recognized for their high quality and have long had the endorsement of competent physicians. It is not likely, therefore, that their prestige has been permanently challenged.

For all practical purposes, the shares of Mead, Johnson may be regarded as being on a $4 dividend basis, inasmuch as quarterly extras have been paid for four consecutive periods and earnings would support the $4 rate. Selling on the N. Y. Curb Exchange around 63, the yield, on this basis, would be better than 6%. Moreover, definite evidence that the company's earnings are destined for further recovery this year would warrant some further advance in quotations.

Adams-Millis Corp.

FORMED early in 1928 to merge several organizations between which there had long been a close relationship, Adams-Millis Corp. ranks as the leading manufacturer of its kind in the world today. It caters principally to the low cost market, fabricating a complete line of cotton, silk and rayon hosiery for men, women and children.

Plants with a combined annual capacity in excess of 5,000,000 dozen pairs are located in High Point and Kernersville, N. C., where skilled labor is plentiful at reasonable wages and raw materials may be readily and economically assembled. Since each of the several plants operated is a complete unit in itself, performing all of the steps necessary to turn out the finished product, a degree of flexibility is attained which enables the company to speedily adjust its output to sales. It is due measurably to this condition

and the fact that the company does not have to carry large finished and raw material inventories that its record has been head and shoulders above that of the vast majority of its competitors during recent years. Moreover, the concern's ability to fill orders on short notice places it in a preferred competitive position in bidding for the chain store business which accounts for some 75% of total output. The remainder is sold through leading jobbers, both domestic and those catering to foreign business. This sales policy has many advantages, among which are the elimination of costly advertising expenditures and the uncerain factor of foreign exchange fluctuation.

While earnings of the trade generally slumped badly almost as soon as the depression started, this was not the case with Adams-Millis. Aside from the fact that the company was not caught with large high cost inventories, the trend toward low priced merchandise resulting from restricted public purchasing power proved a stabilizing factor. This is clearly demonstrated by the fact that net income of $906,036 in 1930 was substantially unchanged from that for 1929, when $909,330 was shown. But little recession was recorded in the following year when net totalled $858,746. In 1932, however, distress stocks thrown on the market for virtually what they would bring, together with mounting unemployment and necessarily curtailed purchases of even low-priced hosiery, combined to reduce profits some 67%. Even at that, the company was able to show earnings on its common stock equal to $1.03 per share. With general business turning for the better in 1933, prices and profits registered a sizable rebound; net income in 1933 equalled $2.63 a share on the common stock. Further marked improvement was revealed in the report covering the first six months of 1934, when per share earnings on the common totalled $1.97, against 83 cents for the like interval of the preceding year. Although the report covering the full year 1934 has not as yet been released, first half results, coupled with generally favorable conditions in the trade during the second half, indicate that earnings were but little below those of the record years 1929-30, when the equivalent of $4.83 a share was shown.

Earnings Per Share

1933	1934	Recent Price	Div.	Yield
$2.63	$4.00(e)	$31	$2.00	6.6%

(e) Estimated

The company is favored with a modest capitalization. There is no funded debt outstanding, and the 156,000 shares of no par common is preceded by only 16,637 shares of 7% preferred, par $100. Financially, the company is in an excellent shape. As of June 30, last, total current assets of $2,782,320, including cash and marketable securities alone of $1,737,982, compared with current indebtedness of only $235,104. With indicated current earnings running substantially in excess of the present $2 annual dividend on the common stock, little question exists as to continuance of that rate. As a matter of fact, the highly liquid financial resources of the company and its generally favorable outlook would seem to presage an increase in dividend disbursements later on. At their recent price of 31, the company's common shares yield better than 6%, and, with the promising earnings outlook, are worthy of consideration for income and price appreciation.

Cream of Wheat Corp.

"CREAM OF WHEAT" cereal has for many years been one of the nation's most popular breakfast foods. But it was not until 1929 that the public was able to acquire shares in the company, for prior to that time it had been a privately-owned business. Manufacturing but a single product, requiring only one plant, the company is not a large organization, judged by present-day standards. This, however, has not prevented it from achieving an enviable record of profitable operations.

During the past five years, including 1934, earnings on the company's stock have averaged $2.55 per share annually. Moreover, this average gives a truer picture of the company's earning ability than is frequently the case when wide fluctuations from one year to another tend to give a misleading result. During this five-year period, the lowest level of per-share results, in the year 1933, showed $2.15 available, whereas the highest level for the period was $3.11 a share in 1930.

Several factors contributed to make such conspicuous stability possible during a period of harassing economic conditions. As already noted, no extensive manufacturing facilities are required. With only about 20% of the company's assets represented by the fixed investment in plant and equipment, charges for maintenance and depreciation require but a relatively small portion of income. The company's product has a large and rapid turnover, removing the necessity of carrying large inventories; and with sales largely on a cash basis no large receivables account is maintained. In endeavoring to obviate the manufacturing risks arising from the possibility of wide variations in the price of wheat, its principal raw material, the management follows the policy of limiting purchases to closely conform with manufacturing requirements. For many years the management has pursued an extensive advertising policy and its effectiveness is suggested by the fact that "Cream of Wheat" is carried by practically every grocery store in the United States and Canada.

Earnings Per Share

1933	1934	Recent Price	Div.	Yield
$2.15	$2.26	$38	$2.25*	5.8%

*Including Extras

On the opposite side of the picture, it must be pointed out that the continued success of the company rests upon a single product in a highly competitive market. While the company's long record of successful operations offers no small measure of assurance, public tastes are subject to change. In justice to the company, however, it can be definitely said that so far there is no evidence which would warrant any fear in this respect for the present, at least. Looking at the company's shares from the standpoint of possible price appreciation, it is more than likely that quoted values will reflect the same degree of stability present in earnings. Lacking the possibility that earnings will enjoy any considerable spurt from current levels, the shares are unlikely to show any considerable range in fluctuations over a period of time.

Last year the company reported a net profit of $1,356,544 as compared with $1,289,593 in 1933. Applied to the 600,000 shares of capital stock, which comprise the entire capitalization, these profits were equivalent to $2.26 and $2.15 a share respectively. Profits in both years were sufficient to cover the regular $2 dividend and the better showing last year led to the declaration of a 25-cent extra earlier this year. Moreover, the company's financial position is easily such that a

generous dividend policy may be followed. Cash and government securities alone at the end of 1934 amounting to $2,789,000 compared with current liabilities of less than $800,000.

Around 38, the shares are quoted near the 1934-1935 high and return a yield of better than 5% on the basis of the regular dividend only. Barring unforseen developments Directors of the company seem virtually certain to declare another extra this year and the purchaser of the shares would seem justified in expecting a net yield of at least 5.8% annually on his investment.

On the whole, the shares would seem to have much to commend them as an income-producing vehicle. It is to be admitted, however, that they are only moderately attractive for speculative price appreciation.

Spencer Kellogg & Sons, Inc.

FEW are the corporations which may boast of an unbroken dividend record on their common stocks comparable with that of Spencer Kellogg & Sons, Inc. This company has paid dividends on its common stock in varying amounts in each year since 1913, or the year following its incorporation as successor to another company of similar name. At first blush it might appear that a company with such a record could not have been particularly sensitive to the several business booms and depressions which occurred during the period and would not, therefore, benefit to any great extent from general industrial revival in the present instance. That such a premise would prove fallacious is borne out by the organization's recent record.

Earnings Per Share

1933	1934	Recent Price	Div.	Yield
$0.98*	$3.01*	$36	$1.60	4.4%

*Fiscal year ended September 1.

Whereas for the fiscal year ended September 1, 1932, Spencer Kellogg sustained a loss of $132,737, the first in many years, firming demand and prices for its products were reflected in pronounced earnings gains in the following two fiscal years. Thus, for the fiscal year ended September 2, 1933, the company reported a profit of $491,403, equal to 98 cents a share on the capital stock. In the latest fiscal year, net income of $1,504,742, equal to $3.01 a share, was the highest reported since 1928, and was only slightly below the all time high established in 1925. After having successively reduced dividends from a $1.60 annual rate in 1929 to 60 cents in 1932, the previous rate was re-established with the declaration of a 40-cent quarterly payment last September.

Spencer Kellogg's demonstrated ability to benefit promptly from industrial recovery is due chiefly to the wide variety of industries which employ its products. Linseed oil, of which the company's production is said to account for about 30% of the total domestic output, is used in large quantities in the manufacture of varnish and paint and in printer's ink and linoleum. It may be readily recognized that the concern should be one of the chief beneficiaries from the further recovery anticipated during the current year in the home building and construction industries, principal outlets for paint. In addition to linseed oil, foundry, castor, soya bean, cocoanut and chinawood oils are handled. These find a variety of outlets, including the drug, food, machine and soap industries.

Although the company retired all of its remaining funded debt, amounting to $953,000, last year, this was handled almost entirely by surplus earnings. Hence, the financial condition, as revealed in the September 1, 1934, balance sheet, was substantially unchanged from a year earlier, with net working capital of $8,287,330, comparing with $8,209,614. Recent sales of the company are understood to have run considerably ahead of the same period last year and the outlook is for continued heavy demand, especially for linseed oil and allied products. With the 500,000 shares of common stock having sole claim on earnings, the issue is believed to offer distinct attraction for one wishing to profit from further general recovery and, at the same time, obtain a well secured current return, subject to a possible increase.

Atlas Powder Co.

AS its name suggests, the activities of the Atlas Powder Co. are concerned mainly with the manufacture of explosives, and in this field the company is the third largest factor. Like its two larger rivals, however, Atlas has extended its scope to include other lines. These involve principally cellulose products using to a large extent excess or by-products chemicals from the explosives division. These products include artificial leather cloth, lacquers, auto top materials; also nitrocellulose, pyroxylin and rubber coated fabrics. While these products account for nearly 20% of the company's annual sales volume, in recent years they have not yielded a profit and the company's earnings have been derived exclusively from the sale of powder and explosives.

Earnings Per Share

1933	1934	Recent Price	Div.	Yield
$0.74	$2.49	$40	$2.00	5.0%

About half of the sales of explosives are represented by dynamite, with black blasting powder and blasting supplies, chiefly blasting caps and electric detonators, accounting for the remainder. The company manufactures no military explosives and its chief consuming outlets are the mining, quarrying, railway and construction industries which account for about 75% to 85% of the dynamite sales, with coal mining taking an additional 10%.

The company has been an important beneficiary of the many large construction projects which have been sponsored by the Government and has likewise profited through the legislative benefits which were bestowed upon the gold and silver mines. Coupled with a wider margin between raw material costs and selling prices, these conditions, plus important internal economies, have found reflection in a marked improvement in the company's earning in 1933, and particularly in 1934.

In 1933, with an actual sales gain of less than $1,000,000, net income rose to $709,000 as compared with $42,000 in 1932, and after payment of preferred dividends net available for the common stock was equivalent to 74 cents a share. Last year sales were accelerated and registered a gain of more than $3,000,000 over 1933. Net

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What Annual Statements Show

Reports of Leading Corporations Reveal Significant Earnings Trends

By J. C. Clifford

Allis-Chalmers—Loss Reduced Sharply

ALLIS-CHALMERS managed to cut down the net loss of $2,893,905 reported for 1933 to $1,039,406 for 1934. Last year, the company's billings totalled $20,287,148, compared with $13,286,767 in the previous year. While the company's loss for the full year was larger than that reported for the first nine months, thereby indicating that the last quarter had been unprofitable, its farm equipment line has been, and still is, relatively satisfactory. It is understood that the small tractor recently introduced has been given a good reception. It is probable, however, that before the company can become really profitable there must be marked improvement in its railroad, utility and heavy construction divisions.

* * *

The Snuffs—As Always, Profitable

Reporting for 1934, the three principal manufacturers of snuff upheld their reputation for possessing a constantly profitable business. United States Tobacco showed earnings equivalent to $7.09 a common share compared with $7.03 in 1933. American Snuff showed $4.05 against $4.12 in 1933; while George W. Helme, reported for 1934, $7.45 a common share against $7.43 a share in 1933. Last year, the country's snuff output rose to 37,164,170 pounds from the 36,326,152 pounds produced in 1933. It is probable that the manufacturers would have made an even more favorable showing, because of the increased volume of business, if it had not been for the fact that costs have risen quite severely. Raw material (tobacco) is much higher, while labor costs under the N R A are also up. All three snuff companies are strong financially, and have a well deserved reputation for liberality towards stockholders.

* * *

Colgate-Palmolive—1934 Earnings Ten Times 1933

Despite a Federal oil tax which increased manufacturing costs, and despite the fact that the retail price of Palmolive soap was reduced to five cents a cake during the year, the Colgate-Palmolive-Peet Co. reported tentative earnings for 1934 of $3,744,106. For 1933, the company showed a profit of only $373,389. These earnings are equivalent to $1.16 a share of common stock in 1934 and $1.50 a share of preferred stock in 1933. Net sales for 1934 totalled $71,968,612, a gain of about 15%.

* * *

Owens-Illinois-Glass—Both Gross and Net Best in History

Taking full advantage of the demand created for glass by the legalization of beer and the subsequent repeal of the Eighteenth Amendment, the Owens-Illinois-Glass Co. has reaped a veritable harvest over the past year or two. For 1934, net income amounted to $6,496,369 after depreciation, Federal taxes and other deductions. This was equivalent to $5.41 a share on each of the 1,200,000 shares of common stock outstanding. In 1933, net income totalled $6,032,312 and this, after dividends on the company 6% preferred stock which has since been retired was equal to $4.86 a common share. The annual report for last year showed that Owens-Illinois had acquired the remaining minority interest in Closure Service Co. of Toledo, a large manufacturer of bottle caps and allied articles. Although undoubtedly part of the profit garnered by Owens-Illinois over the past year or two from the liquor trade must be considered non-recurring, a satisfactory outcome for the company's new products, which include glass brick and glass wool, may reasonably be expected to partially offset this.

* * *

Melville Shoe—A Retailer, Not a Manufacturer

This is a chain of approximately 570 stores. Its business is exclusively retailing, for it manufactures no part of the shoes that it sells. Earnings last year were equivalent to $4.16 a share on each of the 371,461 shares of no-par common stock. In the previous year the company reported the equivalent of $3.22 a common share. Melville's sales for 1934 were more than $6,000,000 greater than in 1933 and, because the company sells on a "cost-plus" basis, it has not been confronted with the declining profit-margin which recently has been the bane of most retailers.

Coming Dividend Meetings

Company	Approx. Date	Probable Action (on the common)
American Snuff	Mar. 6	Regular 75 cents
Bohn Aluminum	Mar. 1	Regular 75 cents
Cream of Wheat	Mar. 13	Regular 50 cents
General Electric	Mar. 1	Regular 15 cents
Homestake Mining	Mar. 6	Regular $1.00 and $2.00 extra
Howe Sound	Mar. 12	Regular 75 cents
Island Creek Coal	Mar. 12	Same as last quarter; $1
Lambert Co.	Mar. 4	Regular 75 cents
Mack Trucks	Mar. 5	Regular 25 cents
McKeesport Tin Plate	Mar. 5	Regular $1
Pacific Gas & Electric	Mar. 16	Less than 37½ cents
Reynolds Tobacco	Mar. 7	Regular 75 cents
Trico Products	Mar. 4	Regular 62½ cents
United Fruit	Mar. 11	Regular 75 cents and extra
U. S. Gypsum	Mar. 6	Regular 25 cents
Westinghouse Air Brake	Mar. 8	No change. Regular 12½ cts.

The Cans—Had a Great Year in 1934

American Can has just reported net earnings of $25,158,660 for 1934, which compares with $19,581,461 in the previous year. These figures, after adjustment for dividends and interest received, depreciation and Federal taxes, were equivalent to $6.72 and $5.04 a common share respectively. In the balance sheet as of the end of 1934, the largest changes were to be found in "cash" and "inventory". The former rose almost $13,000,000, while the latter declined slightly more than $7,000,000. American Can was among the companies which stocked-up very heavily in 1933 in anticipation of higher tin plate prices and references to "inventory profit" are now being made. It would, however, in all probability be a much fairer statement to say that the company appears "to have made a speculative profit gambling in tin plate over and above its normal inventory needs." Continental Can, after the usual deductions and having provided a $500,000-reserve for inventory price decline, reported earnings for 1934 equivalent to $4.02 a common share. Per-share earnings in 1933 were somewhat larger, but it is to be remembered that the company paid a 50% stock dividend in 1934. In the case of Continental Can, the greatest change revealed by the balance sheet as of the end of 1934 was in holdings of Government securities which increased about $5,600,000. Inventory was little changed. The company's president in his remarks to stockholders, however, stated: "Profits in 1934 were substantially increased through consumption of raw materials purchased at favorable prices in 1933 in quantities in excess of normal forward purchases." In other words, the speculative profit which was assumed to have been garnered by American Can is admitted by Continental. This inventory situation has been stressed because, while there is little or no immediate prospect of a decline in tin plate, such profits are clearly of a non-recurring nature.

* * *

Western Union—Coditis Sufferer

Despite the fact that Western Union's gross revenues last year amounted to $87,230,228, compared with $82,308,607 in 1933, net income after taxes, depreciation and charges declined to $2,243,084 from $4,364,-882. On a per share basis, earnings for the two years were $2.14 and $4.17 respectively. The main cause of Western Union's disappointing showing for 1934 is to be found in the company's inability to cope with the increased expenses—mainly wages—that have been heaped upon it. Pay cuts have been largely restored; in addition to which there have been numerous increases of basic wage scales under N R A. In a word: a plain case of "code leading to coditis."

* * *

American Woolen—Demand Smaller, Prices Lower

In 1933 it was thought that American Woolen really had turned the corner. It turned in a profit of more than $7,000,000 for the period, the first substantial profit in many years. It made the first payment on its cumulative preferred stock since April, 1927. In 1934, however, hopes were sharply dashed. Demand for cloth dropped off rapidly and the company says: "very little new business was developed after the early months of 1934." This situation was said to have resulted in (1) a slowing down in mill operations with a consequent increase in unit costs (2) a decline in the price of wool due to lessened competition, and (3) development of most severe competitive price situation in finished cloth, based on the desire of the industry to run machinery and liquidate inventories. Interpreted financially, this meant a loss $5,458,495 for the year 1934, of which $1,455,721 represented inventory write-offs, compared with a profit of $7,053,088 in 1933. In concluding its annual report to stockholders, American Woolen stated frankly: "It is difficult to make any forecast as to results for 1935."

* * *

Instalment Financing Companies —Best Earnings in History

The two largest instalment financing companies have just reported the best earnings in their history. Commercial Investment Trust, the larger of the two, reported earnings for 1934 equivalent to $4.61 a share on the number of common shares outstanding at the end of the year, which was after a 25% stock dividend paid in October. In 1933, the company earned the equivalent of $3.42 a common share. The net volume of bills and accounts purchased by Commercial Investment Trust in 1934 amounted to $779,749,-248, compared with $475,884,330 in 1933, and with the previous peak of $489,544,018 in 1929.

Commercial Credit's earnings for last year were equivalent to $4.11 a common share, compared with $1.52 a share in 1933. Gross receivables purchased last year totalled $377,959,031, compared with $199,683,170 in the previous twelve-month period. Last December this company entered into a contract with Chrysler for financing the latter's cars. In turn, Chrysler agreed to purchase 50,000 shares of Commercial Credit's common stock at the book value of $21.31 a share as of December 31, 1934. The agreement is anticipated to be mutually profitable.

* * *

Kroger Grocery—Profit Margin Lower

The profit of $2.31 a common share reported by the Kroger Grocery & Baking Co. for 1934 was 20 cents a share under that reported for the previous year. As sales were up 7½% in the more recent period it is clear that the company was unable to maintain profit margins. There were a number of factors responsible for this. The company itself says: "Gross profit could not be maintained during the last half of 1934 because of increasing costs of material, the inevitable lag between wholesale and retail prices and increasing price competition in all the territory served by the company." It might be noted that this same point was expanded in connection with the merchandising stocks on page 560. But turning again to Kroger: it is estimated that the increase in wages granted by the company under the N R A was equivalent last year to $1.80 a common share. In addition the company has been obliged to contend with an increased burden imposed by literally scores of taxes. It is estimated that last year the company's tax bill was equivalent to $9 a share. Kroger's balance sheet as of the end of 1934 revealed no particularly significant changes.

* * *

National Biscuit—Costs Up, Competition Keener

Reporting for last year, the National Biscuit Co. showed earnings of $11,-597,573, after taxes and depreciation. This, after dividends on the company's 7% preferred stock was equivalent to $1.57 a share on 6,289,448 shares of $10-par common stock. In 1933, National Biscuit earned the equivalent of $2.11 a common share. Costs last year were higher from a number of directions. The N R A raised labor costs, processing taxes raised the cost of raw materials, while the company has recently suffered from crippling strikes. National Biscuit found it impossible to raise selling prices to offset the higher costs because of the fierce competitive conditions: hence, the lower earnings.

Taking the Pulse of Business

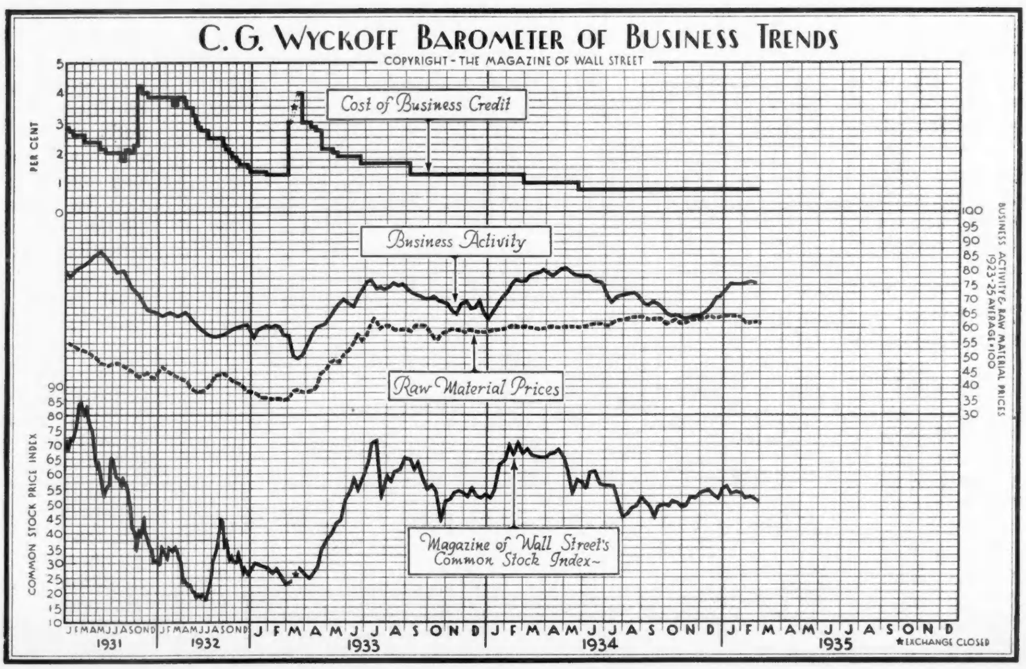
—Gold Decision Relieves Uncertainty
—Prices Advancing
—Steel Activity Off Slightly
—Oil Outlook Improves
—Sugar Prospects Better

THE Supreme Court's decisions in the gold cases, while censuring the Government for exceeding its constitutional authority in repudiating its own agreement with investors, nevertheless lifts a load of uncertainty from business which has beset it for nearly six weeks. It is now definitely decreed that corporate, municipal and realty debtors will not have to settle with creditors for $1.69 on the dollar. Bonds, notes and mortgages, regardless of gold clauses in the indenture, can be paid off in legal tender currency, dollar for dollar. This removes a great obstacle to much needed refunding operations. With high grade bonds, and securities even which are not strictly gilt edged, selling on the lowest yield basis in history, stockholders have every right to demand the economy of low interest rates now obtainable. Within a few months we should witness a considerable revival in refunding operations and perhaps later some revival in the business of raising new capital. Doubt, however, may be cast on the latter, despite the extreme ease of money and despite the fact that S E C has eased its regulations. In the past new capital has been raised for the most part by the railroads, the utilities and construction. Currently, the majority of railroads are insolvent and it is hard to see how any individual would provide them with large capital for expansion: the utilities are under a withering blast of political fire: while all the attempts to stimulate construction by merely making money obtainable have so far been attended with conspicuous non-success.

Meanwhile it is quite possible that hesitation which has recently appeared in scattered industries may continue for a few weeks, since a certain amount of time is always required for business to shake off old fears and orient itself to new conditions. The fact that building contracts awarded during December and January were little more than half the value reported a year ago can scarcely avoid producing a brief period of reaction; but it is significant that building permits, which must necessarily precede the letting of contracts, have recently risen sharply. It is also to be noted that department store sales in January, as foreshadowed by the check payment index, were 5% lower than during December after allowing for the normal seasonal slackening in retail trade at this period.

Purchasing power, taking the country as a whole, continues somewhat impaired, and may produce some slackening in the coming second quarter. Unemployment is discouragingly slow in being corrected, and in spite of relief work and doles from the federal government and various states, the number of actively purchasing people in the country remains below the average necessary to sustain improvement on a satisfactory scale.

Nevertheless, as a result of our fundamentally inflationary setting, prices are advancing. Retail food prices have been ascending for some time and commodities generally showed marked gains immediately following the gold decisions. True, some of the ground regained by our indexes of Raw Material Prices and of Common Stock Prices had



been lost for the time being before the week closed; but high grade bonds soared to new record heights and have thus far shown but slight traces of profit taking. It is, of course, quite possible that the recent collapse of speculation in certain staple commodities in London may have some repercussions on this side of the water; but as most of these are commodities not produced in this country, it could scarcely cause much damage to domestic business if we were able to import them at lower prices. On the other hand, the present shortage of agricultural products promises higher prices for food and better income for farming communities for some months to come.

The Trend of Major Industries

STEEL—Although activity at finishing mills has slowed down little, if at all, ingots have been stocked well ahead; so that there has been a slight recession to 50% of capacity in the ingot rate during the past fortnight. Other circumstances have probably contributed to this temporary slowing down—uncertainty as to the ultimate gold value of the dollar, a growing conviction that there will be no widespread labor trouble in either the steel or the automobile industry this season, and the probability that small miscellaneous consumers are stocked up for the moment. Steel quotations for second quarter deliveries are now being filed with the American Iron & Steel Institute; but, according to code provisions, makers can not begin to accept second quarter business before March 1. It is believed, however, that orders for prompt delivery at first quarter prices will pour in faster now that the gold cases are out of the way.

METALS—Purchases of silver by our stabilization fund to support foreign exchange rates have joined with buying by China to replenish her stocks and raised the price of the metal since our last issue to around the 45-cent level. Financial difficulties of commodity pools in London have brought some speculatively held tin on the market and depressed the price to around 49¾ cents, despite recent strength in sterling. U. S. apparent consumption of copper in January came to 76.5 million pounds, compared with only 45.5 millions in December. Stocks in North and South America were reduced by 32,000,000 pounds in January, but increased 18,000,000 pounds elsewhere. Blue Eagle copper here is still pegged at 9 cents; but the price delivered at European ports has risen slightly to 6¾ cents. Zinc prices have been advanced fractionally, while lead remains unchanged.

PETROLEUM—For the second successive fortnight crude output has been held below the Federal allowable—not including East Texas hot oil, which has now risen to above 60,000 barrels daily, with Texas authorities claiming that they have no legal power to stop shipments outside the state. Nine producing states have agreed upon a rather ineffective pact to control production, which awaits, but probably will not receive, the stamp of Federal approval. President Roosevelt hopes to tighten Federal control by provisions embodied in the new N R A Act, drafted to meet recent objections by the Supreme Court as to constitutionality of the former enactment.

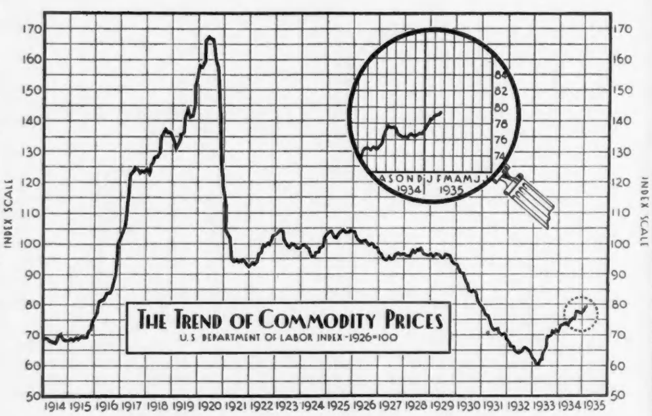
TIRES—Owing to rising costs, the combined earnings of four leading tire makers in 1934 showed practically no improvement over 1933, despite a 29% increase in dollar sales. On the other hand, it should be observed that non-operating losses were considerably greater last year than in 1933; while the increase in tire prices, which did not go into effect until November, had little influence upon last year's earnings, but should be of benefit this year. Costs are still rising, however, and consideration is now being given to a further price advance to become effective around March 1.

SUGAR—Due primarily to operation of the Costigan-Jones Act, the outlook for sugar producers who supply the U. S. appears to be greatly improved this year—particularly as to Cuba. Under the quota set by the A A A, 6,280,658 short tons are eligible for use here in 1935. As consumption of 6,196,000 short tons last year was the lowest since 1921, it seems probable that this year's demand will exceed the quota and so cause a rise in price.

COTTONSEED OIL—The Government's program of curtailing the production of both cotton and hogs has reduced the supply of cottonseed oil at a time when demand for the product as a substitute for lard has been mounting with rising prices for the latter variety of fat. With the season only half over, about 95% of the current season's output of cotton oil has already been sold. Luckily there was a large carryover last year.

Conclusion

Scattered hesitation in business activity of recent weeks may be attributed partly to the natural let down which often takes place in February as an aftermath to holiday spending, but more to uncertainties regarding the future value of the dollar. Now that the Supreme Court has affirmed abrogation of the gold clause in bonds and mortgages, it is expected that normal activities in foreign trade will be resumed and that the market for long term capital will soon be awakened by offerings of bonds for refunding purposes. Yet, while such a revival would be constructive as far as it goes and would contribute something to corporate earning power because of savings in interest charges, there is still a mountain of political uncertainty to be surmounted before business can attain a permanently healthy condition. About the best one can see now is a further period of faltering recovery.

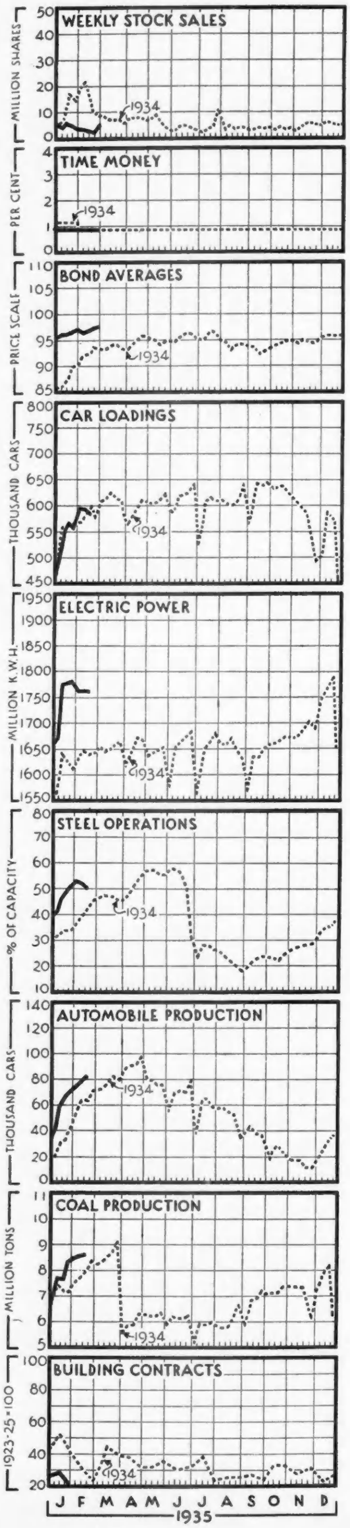


Changes in Major Commodity Price Group for the Fortnight Ended February 16, 1935

Farm Products	up	0.9	Metals	down	0.1
Foods	up	1.6	Building materials	down	0.3
Hides and leather	down	0.1	Chemicals	up	0.2
Textiles	down	0.2	Housefurnishings	down	0.1
Fuel and lighting	down	0.4	Miscellaneous	no change	

The Magazine of Wall Street's Indicators

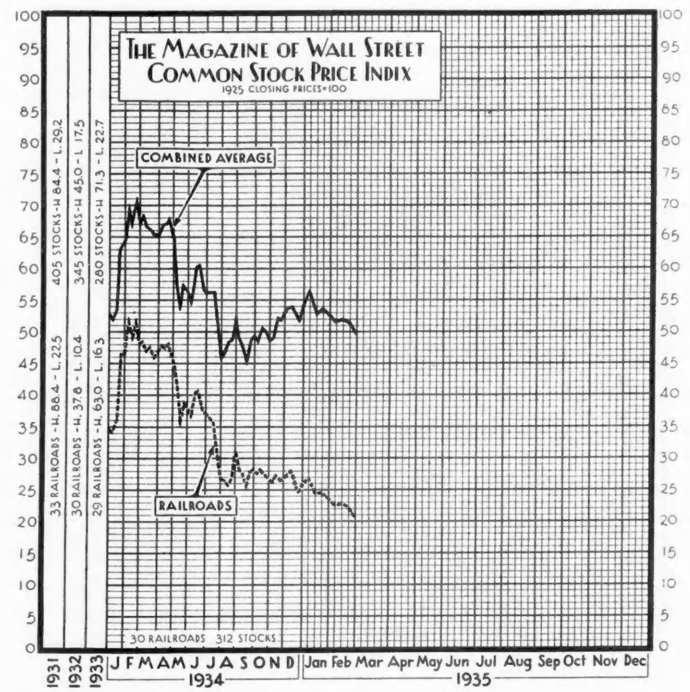
Business Indexes



Common Stock Prices Index

1934 Indexes High	1934 Indexes Low	1934 Indexes Close	Number of Issues	(1925 Close—100)	1935 Indexes High	1935 Indexes Low	Feb. 9	Feb. 16	Feb. 23
71.2	45.0	54.6	288	COMBINED AVERAGE...	56.4	49.7	51.9	51.5	49.7
105.7	44.2	87.0	5	Agricultural Implements....	88.1	78.0	82.2	83.3	78.0
42.3	20.2	27.1	6	Amusements..............	27.1	22.0	23.5	23.4	22.0
58.9	35.2	55.5	13	Automobile Accessories....	57.4	52.7	52.8	53.9	52.7
24.9	11.8	14.2	13	Automobiles..............	16.8	11.7	12.9	12.2	11.7
92.5	43.6	60.1	5	Aviation (1927 Cl.—100)....	60.1	51.6	54.4	54.0	51.6
17.4	8.7	9.2	3	Baking (1926 Cl.—100).....	9.2	8.4	8.5	8.9	9.1
240.9	153.6	191.8	2	Bottles & Cks. (1932—100)..	201.0	185.4	197.2	201.0	200.6
136.0	100.0	131.6	4	Business Machines........	133.4	123.3	124.3	127.3	125.8
229.5	178.9	227.5	2	Cans.....................	244.5	226.1	232.5	242.9	244.5H
210.5	134.3	167.2	8	Chemicals................	169.9	156.6	158.1	160.6	156.6
37.2	22.1	28.8	16	Construction.............	31.4	27.6	28.2	28.2	27.6
70.1	40.1	43.8	5	Copper...................	47.2	40.9	43.1	42.8	40.9
37.0	25.7	32.0	2	Dairy Products...........	33.1	31.5	31.6	33.1	32.9
26.8	16.4	21.2	8	Department Stores........	22.7	19.6	20.7	20.5	19.6
84.2	56.0	73.1	7	Drugs & Toilet Articles.....	73.1	65.3	68.4	66.7	65.3
91.3	59.1	78.7	3	Electric Apparatus........	82.1	76.4	80.7	82.1	79.3
211.2	103.8	211.2	2	Finance Companies........	232.3	211.2	225.2	232.3	232.3
64.0	51.1	58.3	7	Food Brands..............	59.3	56.8	56.8	58.5	57.2
71.1	55.1	55.7	4	Food Stores..............	56.4	49.9	50.8	50.8	50.2
58.8	36.2	45.4	3	Furniture & Floor Coverings	45.4	41.7	42.7	42.6	41.7
1372.0	1106.0	1164.9	3	Gold Mining..............	1170.7	1062.4	1123.0	1125.3	1133.4
35.6	25.1	35.6	5	Household Equipment.....	37.1	35.4	36.4	37.1H	36.4
31.8	19.3	20.8	4	Investment Trusts.........	20.8	18.9	19.6	18.9	19.3
295.5	164.0	247.0	3	Liquor (1932 Cl.—100).....	273.9	240.4	242.1	240.4	245.8
53.4	34.2	44.2	2	Mail Order...............	44.7	37.4	39.7	39.6	37.4
88.6	51.9	62.0	3	Meat Packing.............	62.2	54.1	58.4	57.2	54.1
160.1	117.4	127.8	11	Metal Mining & Smelting..	131.3	116.2	118.8	119.3	116.2
86.8	52.0	58.2	23	Petroleum................	60.2	55.6	57.3	56.7	56.4
25.0	15.2	21.0	3	Phonos. & Radio (1927-100)	21.0	18.2	19.6	19.1	18.2
72.8	32.1	34.8	18	Public Utilities...........	34.8	27.4	30.6	29.4	27.4L
66.2	34.9	43.9	8	Railroad Equipment.......	43.9	35.8	41.6	41.3	35.8
52.0	24.5	25.8	25	Railroads................	26.7	20.8	22.9	22.2	20.8
15.9	6.0	8.8		Realty...................	8.9	6.5	7.5	7.8	6.5
50.2	28.9	41.6	3	Shipbuilding.............	43.4	35.6	37.4	38.9	35.6
77.0	42.0	54.4	10	Steel & Iron..............	57.4	48.7	51.7	50.9	48.7
31.3	20.4	22.2	5	Sugar....................	24.8	21.1	22.4	24.5	24.8
214.0	131.5	143.2	2	Sulphur..................	143.2	131.4	133.5	134.6	132.3
70.3	40.2	45.2	3	Telephone & Telegraph....	45.5	39.9	42.1	42.1	39.9
65.8	37.5	47.8	8	Textiles.................	50.4	43.1	45.2	45.0	43.1
14.6	7.6	9.0	5	Tires & Rubber...........	9.3	8.2	8.6	8.7	8.2
88.6	66.5	84.7	4	Tobacco..................	87.6	82.3	83.2	82.5	83.2
73.5	43.5	65.0	3	Traction.................	66.8	62.4	65.0	65.0	65.1
275.5	43.6	258.2	3	Variety Stores............	258.2	237.1	243.0	247.9	243.8

H—New HIGH record since 1931. L—New LOW record since 1928.



(An unweighted index of weekly closing prices; compensated by stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

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The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
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INTERNATIONAL HARVESTER CO.

I am told the trend of farm purchasing power is up. If you think this will continue, and is not fully discounted in the present price of International Harvester, I would like to buy some of this stock. Please advise me.—N. K., Chicago, Ill.

International Harvester Co. is the largest manufacturer and distributor of farm machinery and equipment in the world. Its products range from numerous small hand tools to the highly developed harvesting machinery now widely employed by agriculture in most sections of the world. Numerous types of gasoline and kerosene engines used on the farm are also manufactured. Because of the thoroughly entrenched trade position of the organization, there is little question but that it would benefit substantially from further improvement in the agricultural situation. Higher commodity prices and huge governmental expenditures last year are believed to have enabled the company to emerge from the "red," while the current year holds promise of further marked improvement. In addition to the concern's agricultural lines, it ranks as the fourth largest producer of motor trucks and also has attained a leading position in the industrial tractor field. Thus, it is not entirely dependent upon sales of equipment to agriculture, although these still constitute the chief profit determinant. Since products are distributed internationally, adverse crop conditions in any particular country are usually offset by favorable conditions in others. Nevertheless, the company's greatest market is within the United States, where the purchasing power of the farmer is expected to be brought into greater harmony with that of the balance of the country than has existed for some years past. Financially, International Harvester is exceptionally strong and this has allowed maintenance of distributions on the common stock, even during those years of sizable losses. It would seem reasonable to anticipate, therefore, that as per share earnings on the common stock mount, dividends will be increased. As an equity especially well situated to reflect, marketwise, improved agricultural conditions, we feel that a commitment in International Harvester, common, would ultimately prove highly profitable if acquired around current quotations.

P. LORILLARD CO.

Do you think it will be the policy of P. Lorillard Co. to continue the $1 extra dividend on its common stock? Do you think I might add to my 200 shares for income and interesting speculative possibilities?—R. E. McM., Malden, Mass.

It was not until 1926 that P. Lorillard Co. introduced its Old Gold cigarette and thereby became a factor in the popular priced cigarette market. Largely due to an aggressive advertising campaign, Old Gold cigarettes soon attained fourth place in the domestic market from the standpoint of unit sales. Nevertheless, unlike its principal competitors, P. Lorillard Co. still obtains the bulk of its business from other products. These include a number of popular chewing and smoking tobaccos, while little cigars as well as several Turkish cigarette lines are also important items from a revenue standpoint. Reflecting principally increased sales, concurrent with improvement in public purchasing power, the report of the company for 1934 revealed net income of $2,833,318, equivalent, after 7% preferred dividends, to $1.15 a share on the common stock. This compared with $2,380,254, or 89 cents a share on the common in the previous year. Financial condition of the organization as of December 31, 1934, was exceptionally strong, with total current assets of $55,876,612, including cash and equivalent alone of $20,568,795, comparing with current liabilities of only $4,487,031. The declaration of the $1 extra dividend to which you refer was obviously not justified by earnings, but was probably motivated by the unusually liquid financial resources of the organization and the inability of the management to obtain a satisfactory return thereon under present conditions. Although rising tobacco prices and the recent increase in the burley processing tax are factors which may tend to restrict earnings growth over the medium term, little

(Please turn to page 581)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

Exceptional Profit Possibilities in Coming Market Movements

PRICES of selected securities should go considerably higher. They have not discounted many bullish developments because of the recent gold decision uncertainty. A few of the most important are:

1. Business improvement—increasing industrial activity—has continued for the past five months, the longest uptrend of the depression.
2. Earnings reports for 1934 from 300 industrial corporations show a total gain of 45% over 1933 levels.
3. Definite trend toward "easy" credit and inflation together with a decided expansion in public works and government spending programs.
4. Supreme Court confirmation of devaluation of the dollar at 59.06. An equal discounting of 40% from the present average of industrial securities would place it around the level of April, 1933.

Our Subscribers Were 73% Long When Gold Decision Was Announced

On Monday, February 18—the day of the gold ruling—we were carrying 11 long recommendations in our three active departments—Trading Advices, Bargain Indicator and Unusual Opportunities.

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ADDRESS ....

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Include a Complete List of Your Present Holdings for Our Analyses and Recommendations

Dividends & Interest

New York Stock Exchange

Rails

	1933		1934		1935		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	2/20/35	Share
A								
Atchison	80⅛	34⅝	73¾	45¼	55⅝	41⅞	43¾	†2
Atlantic Coast Line	59	16½	54¼	24½	37¼	27¼	28¼	..
B								
Baltimore & Ohio	37⅞	8¼	34½	12¾	15	9¾	11⅞	..
Brooklyn-Manhattan Transit	41¼	21¾	44⅞	28¼	44⅛	36⅞	42½	†1½
C								
Canadian Pacific	20⅞	7½	18¼	10⅞	13¾	11½	11¾	..
Chesapeake & Ohio	49¼	24⅝	48⅝	39½	45⅜	40¾	42¾	2.80
C. M. & St. Paul & Pacific	11¾	1	8½	2	3	2⅛	2⅝	..
Chicago & Northwestern	16	1¼	15	3½	5⅝	4⅛	4¼	..
Chicago, Rock Is. & Pacific	10⅛	2	6¼	1⅜	2⅝	1⅞	2⅜	..
D								
Delaware & Hudson	93¾	37⅝	73½	35	43½	32	33⅝	..
Delaware, Lack. & Western	46	17¼	33¾	14	19⅛	14	15	..
E								
Erie R. R.	25¾	3¾	24⅞	9⅜	14	10¼	10⅝	..
G								
Great Northern Pfd	33¾	4⅝	32½	12¼	17¾	12⅝	13¾	..
H								
Hudson & Manhattan	19	6½	12⅛	4	5½	4¼	4½	..
I								
Illinois Central	50¾	8½	38⅞	13⅝	17¼	12	13⅜	..
Interborough Rapid Transit	13¾	4⅛	17½	5¼	16⅛	12¾	14⅝	..
K								
Kansas City Southern	24⅞	6½	19¾	6⅝	8¾	7	7½	..
L								
Lehigh Valley	27¾	8⅝	21¼	9½	11½	8⅛	8½	..
Louisville & Nashville	67½	21¼	62½	37¾	47½	39	43	3
M								
Mo., Kansas & Texas	17⅛	5¾	14⅞	4⅜	6¼	3⅝	3⅝	..
Missouri Pacific	10¼	1⅛	6	1½	3	1⅞	2¼	..
N								
New York Central	58½	14	45¼	18⅜	21¾	15⅞	17	..
N. Y., Chic. & St. Louis	27⅝	2⅛	26⅞	9	13	8¾	10¼	..
N. Y., N. H. & Hartford	34⅞	11⅛	24⅛	6	8½	6⅛	6¼	..
N. Y., Ontario & Western	15	7½	11⅝	4½	6	4⅛	5⅛	..
Norfolk & Western	177	111½	187	161	175	167½	168½	*10
Northern Pacific	34⅞	9⅝	36¼	14½	21⅞	16⅛	17¼	..
P								
Pennsylvania	42¼	13¾	39⅛	20⅛	25⅜	20	21¼	1
R								
Reading	62½	23½	56⅜	35⅛	43⅛	35	40	2
S								
St. Louis-San Fran	9	⅞	4⅝	1⅛	2	1⅛	1⅝	..
Southern Pacific	38¾	11⅛	33¾	14⅞	19⅛	14	16¼	..
Southern Railway	36	4⅛	36½	11½	16½	10¾	12	..
U								
Union Pacific	132	61¼	133⅞	90	111½	96½	99	6
W								
Western Maryland	16	4	17¼	7⅛	9⅞	7¾	8	..
Western Pacific	9½	1	8½	2⅝	3⅜	2⅜	3	..

Industrials and Miscellaneous

	1933		1934		1935		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	2/20/35	Share
A								
Adams-Millis Corp	80	60	103½	73	33½	29⅜	31	2
Air Reduction, Inc	112	47½	113	91¾	115¾	109½	113¾	*3
Alaska Juneau	33	11⅛	23⅞	16⅝	20⅛	16⅜	17⅝	*1.20
Allied Chemical & Dye	152	70¾	160¾	115⅛	141	132¾	138	6
Allis Chalmers Mfg	26¾	6	23⅜	10⅜	17⅞	15⅛	17⅛	..
Alpha Portland Cement	24	5¾	20⅛	11½	20¼	17	18¼	1
Amerada Corp	47⅝	18½	55⅝	39	57	48½	54¾	2
Amer. Agric. Chemical (Del.)	35	7¼	48	25¼	57¾	47½	56	2
American Bank Note	28½	8	25¼	11½	18½	13½	17½	..
Amer. Brake Shoe & Fdy	42½	9⅛	35	19½	29⅝	25¼	26½	.80
American Can	100½	49½	114¾	90¼	123	110	119½	*5
Amer. Car & Fdy	39¾	6⅛	33⅞	12	20¼	16¼	17	..
American Chicle	51¼	34	70⅝	46¼	72¾	66	72⅜	*3½
American & Foreign Power	19⅝	3⅞	13¾	3⅞	5⅛	3	3	..
Amer. International Corp	15⅛	4¼	11	4¾	6¾	5¾	6	..
Amer. Power & Light	19⅞	4	12¼	3	3¾	2¼	2½	..
Amer. Radiator & S. S.	19	4⅝	17⅝	10	16⅛	13½	13⅝	..
Amer. Rolling Mill	31⅞	5¾	28¼	13½	24	19⅞	21	..
Amer. Smelting & Refining	53½	10¾	51¼	30¼	40⅛	32¾	36½	..
Amer. Steel Foundries	27	4⅝	26½	10⅛	18¼	14½	17	..
Amer Sugar Refining	74	21½	72	46	70½	60	68	2
Amer. Tel. & Tel.	134¾	86½	125¼	100⅛	106¾	102¾	103½	9
Amer. Tob. B	94¾	50¾	89	67	86⅝	78⅞	81	5
Amer. Water Works & Elec.	43¼	10⅞	27⅝	12⅝	14⅞	10	10⅛	1
Amer. Woolen Pfd.	67½	22⅝	83¾	36	45⅛	37	38½	..
Anaconda Copper Mining	22⅞	5	17¾	10	12⅜	10	10¾	..
Armour Co. of Ill	....	....	6¾	3½	6⅛	5⅛	5⅜	..
Atlantic Refining	32½	12⅜	35¼	21½	25⅝	23¾	24⅝	1
Auburn Auto	84¼	31	57⅜	16½	29¾	22½	23¾	..
Aviation Corp. Del	16⅜	5½	10¾	3¾	5⅝	4⅜	4⅝	..
B								
Baldwin Loco. Works	17⅝	3½	16	4½	6⅝	5	5⅛	..
Bayuk Cigar	52½	3¼	45¾	23	44⅝	40	42⅜	§4
Beatrice Creamery	27	7	19¾	10¼	18⅜	16⅛	17½	..
Beech-Nut Packing	70½	45	76⅝	58	78	72	72½	*3¾
Bendix Aviation	21¼	6⅛	23⅞	9¾	17½	14⅛	15¾	..
Best & Co.	33⅛	9	40	26	38¼	34	38	2

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933 High	1933 Low	1934 High	1934 Low	1935 High	1935 Low	Last Sale 2/20/35	Div'd $ Per Share
B								
Bethlehem Steel Corp.	49¼	10⅛	49½	24⅛	34⅜	28⅛	29⅞	..
Bohn Aluminum	58½	9½	68¾	44½	59⅞	53	56½	3
Borden Company	37⅜	18	28¼	19⅞	25¾	23¼	24⅝	1.60
Borg Warner	22¼	5½	31⅜	16⅛	31¾	28¼	31	*1¼
Briggs Mfg.	14⅝	3⅝	28⅜	12	30⅛	24½	29½	2
Bristol-Meyers	40½	25	37½	26	36¼	33½	34	*2.40
Burroughs Adding Machine	20⅞	6⅛	19⅜	10½	15¾	14¼	15¼	.60
Byers & Co. (A. M.)	43¼	8½	32¾	13¾	20⅝	15½	17	..
C								
California Packing	34¾	7¾	44⅜	18¾	42½	36½	41¾	1½
Canada Dry Ginger Ale	41¼	7½	29½	12½	16⅝	12⅞	13⅞	1
Case, J. L.	103½	30½	86¾	35	63	51¾	57⅞	..
Caterpillar Tractor	29¾	5½	38¾	23	44	36½	42⅜	1
Celanese Corp	58⅞	4½	44⅞	17⅛	35⅜	28⅝	30½	..
Cerro de Pasco Copper	44¾	5⅞	44½	30¼	47	38⅝	43¾	2
Chesapeake Corp	52½	14⅞	48⅞	34	44⅞	38	43⅝	3
Chrysler Corp	57⅝	7¾	60⅜	29¼	42½	35½	39¼	1
Coca-Cola Co	105	73½	161½	95¼	178½	161⅞	176	*7
Colgate-Palmolive-Peet	22⅜	7	18⅛	9⅜	18¼	16⅛	17¼	.50
Columbian Carbon	71¼	23⅛	77¼	58	77¼	67	75¼	4
Colum. Gas & Elec	28⅛	9	19¼	6⅝	7¾	5	5⅛	..
Commercial Credit	19¼	4	40¼	18⅝	47¼	39½	46½	2
Comm. Inv. Trust	43½	18	61	35¾	62¼	56¼	60½	*2½
Commercial Solvents	57¼	9	36¾	15¾	23⅞	19¼	21⅞	.60
Congoleum-Nairn	27⅝	7⅜	35⅜	22	34⅞	31½	32½	1.60
Consolidated Gas of N. Y.	64⅛	34	47⅜	18½	22⅝	15⅞	16⅜	1
Consol. Oil	15¾	5	14¼	7¼	8¾	7⅜	7¾	†.42
Container Corp. "A"	10¼	1⅛	13¾	6⅛	13⅝	10⅝	11¾	..
Continental Can, Inc.	78⅜	35¼	64½	56¾	73½	62¾	70½	2.40
Continental Insurance	36½	10½	36¼	23⅜	34	30	32¼	*1.35
Continental Oil	19⅝	4⅞	22¾	15¾	19⅛	16¾	18⅛	.50
Corn Products Refining	90⅝	45⅜	84½	55½	68	62	66⅝	3
Crown Cork & Seal	65	14¼	36¼	18¾	28	23⅝	26⅝	1
Cudahy Packing	59½	20¾	52⅝	37	47½	41	45	2½
Cutler-Hammer, Inc.	21	4¼	21½	11	20¾	17¼	19¾	..
D								
Deere & Co.	49	5¾	34⅛	10⅛	31	24½	28¾	..
Diamond Match	29½	17½	28½	21	29¾	26½	28	*1½
Dome Mines	39½	12	46¼	32	40½	34⅛	38½	*3½
Douglas Aircraft	18¼	10¼	28½	14¼	24¾	20⅞	22⅛	..
Du Pont de Nemours	96⅜	32⅛	103⅞	80	99½	92½	95¼	2.60
E								
Eastman Kodak Co.	89¾	46	116½	79	123⅛	110½	121⅛	5
Electric Auto Lite	27½	10	31⅜	15	29	23½	25½	..
Elec. Power & Light	15⅜	3⅛	9⅝	2¼	3	2⅛	2⅛	..
Electric Storage Battery	54	21	52	34	49½	45	47	2
Endicott Johnson Corp	62⅞	26	63	45	60¼	52¾	59	3
F								
Fairbanks, Morse & Co.	11¼	2½	18¾	7	24½	17	24½	..
Firestone Tire & Rubber	31½	9⅛	25¼	13⅛	18⅛	15¾	16⅞	.40
First National Stores	70¾	43	69¼	53	56	47½	51¾	2½
Foster Wheeler Corp	23	4½	22	8½	17½	13	14¾	..
Fox Film. Cl. A	19	12	17½	8¼	13½	9	10¾	..
Freeport Texas Co	49⅜	16⅛	50⅜	21½	26	20⅜	22	1
G								
General Amer. Transpt	43¼	13¾	43⅝	30	38¼	35⅛	36½	1¾
General Baking	20⅞	10½	14⅜	6½	9¼	7¾	8¾	.60
General Electric	30¼	10½	25¼	16⅞	25¼	20½	24⅛	.60
General Foods	39⅞	21	36⅞	28	35½	32¾	35¼	1.80
General Mills	71	35½	64½	51	65	59⅞	64½	3
General Motors Corp	35¾	10	42	24⅝	34¼	30	31¼	1
General Railway Signal	49½	13¼	45¾	33½	30	24¼	25¼	1
General Refractories	19¾	2½	23⅜	10⅛	20¼	16¾	19⅝	..
Gillette Safety Razor	20¼	7⅝	14⅞	8½	15⅛	13⅛	14⅛	1
Glidden Co.	20	3¼	28⅜	15⅝	27⅜	23⅜	26⅝	*1.30
Gold Dust Corp	27⅜	12	23	16	18	15¾	17⅛	1.20
Goodrich Co. (B. F.)	21½	3	18	8	11⅞	9½	10¼	..
Goodyear Tire & Rubber	47½	9¼	41⅜	18½	26⅞	21	22⅜	..
Great Western Sugar	41⅞	7	35¼	25	31	26⅝	30	2.40
H								
Hercules Powder Co	68⅝	15	81⅝	59	77⅝	73¼	75¾	*3¾
Hudson Motor Car	16⅜	3	24½	6⅛	12¾	8⅛	10⅝	..
Hupp Motor Car	7¾	1⅝	7¼	1⅞	3⅞	2½	2½	..
I								
Industrial Rayon	....	....	32¼	19⅜	33	30¼	32	1.68
Ingersoll-Rand	78	19⅛	73¾	49½	70⅛	65	69	2
Inter. Business Machines	153¼	75¾	164	131	161½	149¼	159½	6
Inter. Cement	40	6⅛	37¾	18⅜	33	26¼	27⅞	†.25
Inter. Harvester	46	13⅝	46⅞	23¼	43⅞	37¼	40	.60
Inter. Nickel	23¼	6¾	29¼	21	24½	22¼	23½	.60
Inter. Tel. & Tel.	21¾	5⅛	17¾	7½	9⅞	8⅜	8⅜	..
J								
Jewel Tea Co., Inc.	45	23	57½	33	57	53⅝	56	3
Johns-Manville	63½	12¼	66⅜	39	57⅜	48¾	51¾	..
K								
Kelvinator	15⅝	3⅛	21¼	11⅝	18¼	15⅝	17¼	*.70
Kennecott Copper	26	7⅜	23⅛	16	18⅜	16	17	.60
Kroger Grocery & Baking	35⅝	14½	33⅝	23¼	28¾	23⅝	25⅛	1.60
L								
Lambert Co.	41⅛	19⅜	31¾	22¼	28½	26¾	28¼	3
Lehman Corp	79⅜	37½	78	68¼	74¾	69½	73	2.40
Libbey-Owens-Ford	37⅜	4¾	43⅞	22½	32¾	27	28½	1.20
Liggett & Myers Tob. B	99⅜	49¼	111¼	74½	109½	103	104¾	*5
Loew's, Inc.	36½	8½	37	20⅜	36⅞	31¼	34½	1
Loose-Wiles Biscuit	44¾	19¼	44¾	33¼	36¼	34½	35¾	2
Lorillard	25¼	10⅜	22½	15¾	21⅜	19	20½	*2.20
M								
Mack Truck, Inc.	46⅜	13½	41¾	22	28⅛	25½	26⅜	1
Macy (R. H.)	65¾	24¼	62⅛	35¼	44¼	38¼	39	2
Mathieson Alkali	46⅝	14	40¾	23½	[illegible]	27⅛	29	1½
May Dept. Stores	33	9¾	45¾	30	44	39¾	42	1.60

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, The Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"

John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225)

"TRADING METHODS"

This handbook issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

INVESTMENT PROFIT INSURANCE

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MARGIN REQUIREMENTS, COMMISSION CHARGES

J. A. Acosta & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

MARGIN REQUIREMENTS

Leaflet explaining margin requirements prepared by McClave & Co., members New York Stock Exchange. Copy upon request. (955)

SWIFT & CO. 50th ANNIVERSARY YEAR BOOK

This book is being distributed free. A copy may be had by addressing Swift & Co., Chicago, Ill.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1933		1934		1935		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	2/20/35	Share
M								
McIntyre, Porcupine	48⅜	18	50½	30½	44½	36⅝	42½	2
McKeesport Tin Plate	95¾	44⅛	95⅛	79	99	90½	98	4
Mesta Machine Co	21	7	34¾	20⅛	30⅛	24⅛	29¾	1½
Monsanto Chemical	83	25	96½	39	60½	55	59½	1
Mont. Ward & Co	23⅞	8⅝	35⅝	20	30½	25⅛	26¾	..
N								
Nash Motor Co	27	11⅛	32¼	12⅝	19½	15	16	1
National Biscuit	60⅝	31½	49½	25⅞	30¼	27⅝	29	2
National Cash Register	23⅝	5⅛	23⅝	12	18⅜	15½	16¾	.50
National Dairy Prod	25¾	10½	18¾	13	17⅛	15½	16⅝	1.20
National Distillers	35¼	20⅞	31⅝	16	29¼	24¾	28⅛	.50
National Lead Co.	140	42¼	170	135	168½	145	164	5
National Power & Light	20½	6⅞	15½	6⅝	7⅝	5½	5⅞	.80
National Steel	55⅛	15	58¼	34½	50½	46¼	47	*1⅛
N. Y. Air Brake	23½	6⅛	28¾	11½	28¼	24¼	25⅛	..
Noranda Mines	38⅞	17⅜	45⅞	30¼	35⅜	30¾	33⅝	†2
North American Co	36½	12½	25¼	10¼	13½	10⅛	10¼	1
O								
Otis Elevator	25¼	10⅛	19⅜	12½	15⅝	13⅛	14⅜	.60
Owens Ill. Glass	96¾	31½	94	60	90¾	83⅞	89	4
P								
Pacific Gas & Electric	31⅞	15	23½	12⅜	14⅝	13¼	13½	1½
Pacific Lighting	43⅜	22	37	20¾	23¾	21¼	21⅝	3
Packard Motor Car	6⅞	1¾	6⅝	2¾	5⅞	4¼	4⅝	..
Paramount Publix	2½	⅛	5⅞	1¾	4¼	3⅛	3⅝	..
Penney (J. C.)	56	19¼	74¼	51½	74	64⅜	68½	†1.40
Penick & Ford	60¾	25½	67	44⅝	70	64½	68½	3
Phelps Dodge Corp	18⅞	4½	18⅞	13¼	16¼	13¾	15¼	†.75
Phillips Petroleum	18¾	4¾	20¾	13⅜	16	14¼	15½	1
Pillsbury Flour Mills	22½	9½	34¾	18½	33½	31⅝	33	1.60
Proctor & Gamble	47½	19⅝	44⅜	33⅛	48⅞	42⅜	48	1½
Public Service of N. J.	57⅛	32⅝	45	25	27¼	20½	21¼	2.80
Pullman, Inc.	58⅛	18	59⅜	35¼	52⅞	46¼	48½	3
R								
Radio Corp. of America	12¼	3	9⅛	4½	5⅞	4¾	5	..
Radio-Keith-Orpheum	5¾	1	4¼	1½	3⅝	1¾	1⅞	..
Raybestos-Manhattan	20⅝	5	23	14½	21	18⅞	19½	1
Remington-Rand	11¼	2½	13⅜	6	11¼	8¾	9¾	..
Republic Steel	23	4	25¾	10½	15½	12½	13⅝	..
Reynolds (R. J.) Tob. Cl. B	54¼	26½	53¾	39¾	51⅝	46½	48½	3
S								
Safeway Stores	62⅜	28	57	38¼	46	38½	41½	3
Schenley Distillers	47	22	36⅞	17⅛	28½	23¾	26¾	..
Sears, Roebuck & Co	47	12½	51¼	31	40½	33	35¼	..
Servel, Inc	7½	1½	9	4⅜	9⅜	7⅜	9⅛	..
Shattuck (F. G.)	13¼	5¾	13⅞	6¾	9⅛	7⅝	8	.25
Shell Union Oil	11⅝	4	11½	6	7⅞	6⅝	6¾	..
Socony-Vacuum Corp	17	6	19⅞	12½	14⅞	13½	13¾	.60
So. Cal. Edison	28	14⅛	22⅛	10⅛	12¾	11⅜	11⅝	1½
Spiegel May Stern Co.	21½	1	76¾	64	79½	70⅜	73¼	..
Standard Brands	37⅝	13¾	25¼	17¼	19⅛	17	17¾	1
Standard Oil of Calif	45	19½	42⅞	26½	32⅜	29⅝	31⅜	1
Standard Oil of Ind.	.....	.....	32¾	23¼	25½	23¾	24½	1
Standard Oil of N. J.	47½	22¾	50⅛	39¼	43½	39⅜	40¼	*1¼
Sterling Products	63	45¾	66½	47¼	63¼	58¾	62⅞	3.80
Stewart-Warner	11½	2½	10⅝	4½	9¼	6⅞	7¾	..
Stone & Webster	19¼	5½	13¼	3⅞	5	3⅝	3⅝	..
T								
Texas Corp	30⅛	10¾	29⅜	19⅝	21⅝	19	20⅛	1
Texas Gulf Sulphur	45¼	15¼	43¼	30	36¾	33	34⅛	2
Tide Water Assoc. Oil	11¾	3⅛	14⅜	8	10	8⅜	8⅞	..
Timken Roller Bearing	35½	13¾	41	24	36¾	32⅝	34¾	1
Trico Products	38⅞	20⅛	42½	33	42½	36	38¼	2½
Tri-Continental Corp	8¾	2¾	6¾	3	3¾	2⅞	3¼	..
U								
Underwood-Elliott-Fisher	39½	9¼	58⅞	36	61½	57	60	2
Union Carbide & Carbon	51⅞	19¾	50⅞	35⅞	49	44	48	1.40
Union Oil of Cal	23⅜	8½	20½	11½	16½	14¾	16½	1
United Aircraft	.....	.....	15¼	8⅛	15⅛	12⅝	13¾	..
United Carbon	38	10¼	50⅜	35	52¼	46	51¼	2.40
United Corp	14½	4	8⅞	2⅛	3	2	2⅛	..
United Corp. Pfd	40⅞	22⅛	37⅞	21¼	29⅜	22	22⅝	3
United Fruit	68	23¼	77	59	76	71⅝	75	3
United Gas Imp	25	13⅞	20⅛	11½	12⅞	9⅜	9⅝	1
U. S. Gypsum Co	53½	18	51¼	34¼	53⅛	44⅝	44¾	1
U. S. Industrial Alcohol	94	13½	64¾	32	45½	36¼	40	..
U. S. Pipe & Fdy.	22⅛	6⅛	33	15½	22	17½	18½	.50
U. S. Rubber	25	2⅞	24	11	17¼	13⅛	15	..
U. S. Smelting, Ref. & Mining	105⅝	18½	141	96⅝	124¼	106½	117½	†9
U. S. Steel Corp	67½	23⅜	59⅞	29⅜	40⅛	34⅝	35¼	..
U. S. Steel Pfd	105½	53	99½	67¼	94	85	87½	2
V								
Vanadium Corp	36¼	7⅝	31¾	14	21¾	16¼	18⅛	..
W								
Warner Brothers Pictures	9⅛	1	8¼	2¾	4⅝	3½	3½	..
Western Union Tel	77¼	17¼	66⅞	29½	34¾	27¾	28⅛	..
Westinghouse Air Brake	35⅝	11¾	36	15⅞	27	23⅝	24¼	.50
Westinghouse Elec. & Mfg	58¾	19⅜	47¼	27⅞	41	35¾	40⅛	..
Woolworth Co. (F. W.)	50⅞	25⅛	55¼	41¼	55⅞	51	55	2.40
Worthington Pump & Mach.	39⅞	8	31⅞	13½	21½	16⅛	19¼	..
Wrigley (Wm., Jr.)	57¼	34½	76	54½	79½	75	77¼	*3½

§ Payable in stock. * Including extra. † Paid last year.

Answers to Inquiries

(*Continued from page 576*)

question exists as to continuance of the present $1.20 annual dividend. Insofar as further extra payments are concerned, however, these will likely depend upon the course of earnings and the management's appraisal of the business' capital requirements. On the basis of the regular dividend alone, however, the shares yield approximately 6%, at current levels, which is believed attractive for an equity of this caliber. In addition, increased sales volume, higher selling prices, or both, which do not seem improbable over the longer term, would enable the company to show earnings justifying either an increase in the regular rate or further substantial extras. It is believed, therefore, an additional commitment in the common stock at favorable market opportunities should prove profitable to you.

KENNECOTT COPPER CORP.

What do you think of the speculative possibilities for Kennecott Copper in the months ahead? Do you see any improvement in copper demand? Shall I continue to hold 200 shares averaging 14¾?—S. S. L., New York, N. Y.

In common with its competitors, Kennecott Copper Corp. experienced a sharp contraction in earnings during recent years, when compared with those of 1929. In that year net income reached a record high of $52,066,365, equal to $5.55 a share on the capital stock, after allowing for the 2 for 1 split early in the year. The subsequent falling off in copper demand and prices, resulting from general depression influences, was reflected in a pronounced down-trend in Kennecott's earnings which finally culminated in the 1932 deficit of $7,102,199. Generally improved conditions in the industry in 1933, however, enabled the company to report for that year earnings equivalent to 21 cents a share. While the report for the full year 1934 is not available as this is written, a further improvement likely was recorded; unofficial estimate place earnings at better than 50 cents per share. While this indicated earnings trend is most encouraging, conditions in the industry are still far from satisfactory. High copper prices in the years immediately preceding and including 1929 tended to encourage the development of extensive foreign producing areas, extraction costs of which are below those of even such low cost domestic producers as Kennecott. Thus, it is doubtful if the United States will soon reattain its former position as a leading copper exporting country. Of course, Kennecott holds extensive low cost mining properties in Chili, but its fortune is chiefly dependent upon its domestic operations. Under the N R A code, the statistical position of the industry has shown considerable improvement and while continuance of restrictive measures will be necessary if prices are to be sustained, eventual recovery of the heavy industries should considerably increase copper demand. In view of Kennecott's excellent financial condition and leading position in the domestic copper industry, we feel its shares are reasonably priced on the basis of longer term potentialities, and maintenance of your position therein is suggested.

CORN PRODUCTS REFINING CO.

I have been advised to buy Corn Products Refining. It looks very attractive to me when compared with its 1933 and 1934 highs of 90⅝ and 84½. What do you think? Do you believe similar appreciation possible this year?—W. B. M., Los Angeles, Calif.

Corn Products Refining Co. is the leading manufacturer and distributor of corn derivatives not only in this country, but throughout the world. Approximately one-third of the company's output is sold in packages under such well-known trade names as Mazola, Argo, Linit and Kre-mel. The balance is sold in bulk to a number of different industries. Takings of syrup and corn oil are understood to have shown considerable improvement during recent months, but the large industrial users are said to be well stocked. Nevertheless, further industrial recovery should result in an added volume of business from that source, while sales of packaged products may be expected to respond to expanding purchasing power of the general public. The earnings report for the full year 1933 is not available at this writing, but it is believed that the $3 annual dividend on the common stock was about covered. In 1933, earnings were equal to $3.87 a share on the common. Financial condition of the organization is comfortable and capitalization simple; there is no funded debt, the 2,530,000 shares of common stock being preceded by only 250,000 shares of 7% preferred. The company's substantial investment portfolio places it in a position to benefit from other than improvement in its own business. While the advance of corn prices last year, as a result of the drought, tended to reduce profit margins of the subject organization, indications are that the current year will witness the establishment of a more normal relationship between corn and other commodities. This should allow Corn Products Refining to report earnings sufficient to support higher prices than now prevail for its common stock. While an advance to its high of 1933 does not appear in near term prospect, longer term developments of a favorable nature might readily allow the stock to surpass that figure. In the meantime the apparently assured dividend provides a good return for an issue of this caliber and we regard the shares as attractive for inclusion in your portfolio around current quotations.

U. S. INDUSTRIAL ALCOHOL CO.

Please comment on U. S. Industrial Alcohol. Don't you think its stock is underpriced in relation to earnings and financial position? Do you think I am justified in holding 150 shares averaging 56?—J. J. D., St. Louis, Mo.

With an annual capacity of approximately 35,000,000 gallons, U. S. Industrial Alcohol Co. ranks as the largest domestic producer of industrial alcohol. In addition, the company, through a subsidiary, produces a variety of chemical products, including such items as ether, nitro-cellulose solutions, solvents, organic chemicals, etc. In 1933 the company formed, jointly with National Distillers Products Corp., Penn-Maryland, Inc., to operate its Peoria grain alcohol distillery which had not been in use for a number of years. Early last year, however, the company sold its 50% stock interest in Penn-Maryland, Inc., to National Distillers Products Corp., for 138,000 shares of the latter company's stock. In addition to its stock interest in National Distillers Products Corp., the company holds a 20% interest in the Pure Carbonic Co. of America. The latter produces carbon dioxide, which, when compressed, forms the now widely used "dry ice." The latest earnings report of U. S. Industrial Alcohol is that for the six months ended June 30, 1934, when net income from operations amounted to 90 cents a share as against 80 cents a share in the like interval of 1933. The company has recently carried on an extensive advertising campaign for its newly introduced Super-Pyro anti-freeze solution. The profit margin on this product is higher than that on plain denatured alcohol and its favorable reception by the public is expected to be revealed in the earnings report of the company for the full year 1934. Financial condition of the organization is strong and capitalization conservative, being comprised solely of 391,033 common shares. On the basis of indicated current earnings and future prospects, we feel that the stock is reas-

onably priced and suggest further retention of your holdings.

NATIONAL BISCUIT CO.

Do you think it advisable to continue holding National Biscuit bought at 44? Do you see any brightening in the earnings prospects for this company? Do you consider the present dividend assured?—E. W. W., Albany, N. Y.

Although public purchasing power has been considerably increased over the past year and a half, the baking industry in general has not benefited to any great extent from this favorable development. This has been largely due to the increased costs under the N R A, and the extreme competitive conditions existing within the industry which have prevented offsetting selling price advances. Thus, net earnings of National Biscuit Co., the largest unit in the baking and biscuit field, for the nine months ended September 30, 1934, stood at $8,931,959, equivalent, after dividend requirements on the preferred stock, to $1.21 a share on the common. This compared with $10,643,633 or $1.49 a common share in the like interval of 1933. While it is estimated that full year results were below those for 1933, when the equivalent of $2.11 was earned on the common shares, it is believed that the low point has been passed and that gradual improvement is in prospect. An increase in the sales of cake and luxury items, on which the profit margin is substantial, is a logical expectation as general business recovery gathers momentum, while competition from home baking may be expected to become less severe. The exceptionally strong financial condition maintained by the company would warrant continuance of the present $2 rate on the common stock over the early future, at least, even if not fully covered by earnings. At current levels, therefore, we believe the shares offer attraction on the basis of present income and long term appreciation possibilities. Hence, we would advise retention of your holdings.

LUDLUM STEEL CO.

I have 200 shares of Ludlum Steel common bought at 12¼. I understand that steel demand is nearing its seasonal peak, and I am undecided whether to sell now—or take this stock up for further appreciation.—A. G., Columbus, O.

Ordinarily, about 60% of the products of Ludlum Steel Co. go to the automobile manufacturers in the form of heat-resisting and hardened materials used for high speed moving parts. In addition, a wide variety of products are supplied to all types of industry. These include a stainless steel sold under the trade name Silcrome, steel for beer barrels, tool steel and a bright surfaced, rust resisting steel called Nitrosta which is used in the building industry. Takings outside the automobile industry act as a stabilizing influence upon earnings when the peak demand of the latter has been past. The marked upturn in automobile production schedules witnessed in early 1934 was reflected in earnings for the first 9 months of that year. A net profit of $442,437, equivalent, after dividend requirements on the $6.50 preferred stock, to $1.12 a share on the common, compared with a profit of $78,828 equal to only $1.75 on the preferred shares in the like period of 1933. In all probability, the rate of production in the automobile industry will continue at its present high level for some time to come and aided by the Federal Housing Administration, the building business should show gradual improvement. So too, the various other outlets of this company's products should increase with the return of more normal economic conditions. Hence, the shares offer interesting long pull speculative possibility at current levels and we recommend that you take up your holdings on that basis.

YELLOW TRUCK & COACH MANUFACTURING CO.

In view of the favorable outlook for the automotive industry, I am considering the purchase of Yellow Truck & Coach class "B" stock. Do you feel that the outlook for the company's earnings during the current year justifies such action?—L. M. W., Chillicothe, Ohio.

Although controlled through stock ownership by General Motors Corp., the Yellow Truck & Coach Manufacturing Co. operates independently of the parent organization in manufacturing a broad line of commercial vehicles. Highly competitive conditions existing in its field have tended to restrict profit margins during recent years and little betterment along this line is indicated prior to a material revival in general business, particularly in the building construction field, principal outlet for the high priced heavy duty trucks manufactured. In the meantime, the company's financial condition is sufficiently strong to allow it to sustain additional heavy operating losses without seriously impairing its working capital position. Nevertheless, no dividends have been paid on the 150,000 shares of 7% preferred stock since early in 1928 and, since these are cumulative, a substantial earnings improvement will be necessary before the class "B" stock would have any equity therein. Arrears on the preferred stock now approximate $7,500,000, or an amount considerably above net income ever reported by the company in even its most prosperous years. In the first half of 1934, the company reported a profit of $272,394, against a sizable loss for the like interval of 1933, but less favorable conditions existing in the second half doubtless resulted in a loss for the full year approximating that for 1933, or $982,000. Because of the organizations unimpressive earnings record for a number of years, and the improbability that earnings will soon permit the liquidation of arrears on the preferred, we can see little incentive to purchase the class "B" stock, even as a speculation of the more radical sort.

E. I. du PONT de NEMOURS & CO.

I feel that current prices for du Pont common now generously reflects present earnings and possible earnings gains. I am, therefore, undecided whether to continue holding 125 shares of this stock, and I would like your views.—H. J., Philadelphia, Pa.

The two principal sources of revenue of E. I. du Pont de Nemours & Co. are from its chemical sales and extensive holdings of General Motors stock. The company supplies practically every type of business with its chemical and other products, including explosives, cellophane, rayon, "Duco," "Pyrolin," etc., although it does not depend on any single industry for more than 20% of its sales. With such outlets, comprising more or less a cross section of American industry, earnings of the company have naturally paralleled closely the general economic trend. From $6.99 a common share in 1929, earnings fell to $1.81 a share in 1932. Since then and in line with business recovery profits have been mounting. For the 12 months ended December 31, 1934, net income of $46,701,465 was equivalent, after dividend requirements on the debenture stock, to $3.63 a share on the common. This compared with $38,895,330, or $2.93 a common share, for the year 1933. The extent to which ownership of General Motors stock bolstered earnings is illustrated by the fact that dividends received from that company were equivalent to $1.36 a share last year on the du Pont stock, and $1.14 a share in 1933. At the close of the year, total current assets were $124,025,723 including over $60,000,000 in cash and marketable securities. Current liabilities were only $19,155,627. The company, through its extensive research department, is continually seeking to develop and improve its products, the demand for which may be expected to expand materially as industrial conditions improve. The dominant position of the company in its

field, its diversified interests and potential earning power are factors which amply justify retention of your holdings at this time.

SEABOARD OIL CO. OF DELAWARE

What do you think of the outlook for Seaboard Oil? Do you think its speculative possibilities offset its selling fairly high in relation to earnings? Do you counsel retention?—C. B. A., Sacramento, Calif.

The Seaboard Oil Co. of Delaware is primarily engaged in the production of crude oil and natural gas. In addition to its largest property located in California, it also operates in the East Texas field. Foreign properties of the company are operated by other interests on a royalty basis. The relatively high price level maintained for crude oil last year was reflected in the earnings statement for the first nine months, when net income amounted to $1,071,498, equal to 86 cents a share on the capital stock. This compared with a profit of $850,534, or 68 cents a share in the like period of 1933. A strong financial position has been maintained by the company as revealed in the balance sheet dated September 30, last, when total current assets of $2,826,056 compared with current liabilities of $460,431. Natural gas produced is sold under long term contract to Pacific Gas & Electric Co., the latter having built a $12,000,000 pipe line connecting Seaboard's adjacent fields with the City of San Francisco. Although it was feared that crude oil prices would be adversely affected early this year when the Supreme Court invalidated the President's ban on interstate shipments of illegal crude, more effective state regulations have been promulgated and the outlook for price stability is favorable. Because of its low cost of production and substantial revenues from natural gas, it is believed that Seaboard Oil will continue to show relatively favorable earnings during the current year. Hence, it might be assumed that the company's liberal policy in declaring extra disbursements will be continued. In view of the longer term probability of a higher return and further price enhancement, the shares are believed to possess speculative attraction and their retention is suggested.

For Features to Appear

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Will Congress Open the Doors to Inflation?

By SENATOR THOMAS

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000,000 in new credit, or deposit money. With an increased price level permitting a profit in business this credit will be used and then a return of prosperity will be possible.

Necessity of a Stable Exchange Medium

Whatever be the method of providing this nation with an ample supply of money and credit, there can be no doubt that we are committed to the view that money has been too scarce and that it must be made more plentiful. The whole of the recent history of the world registers a general conviction that money has been too scarce and constantly getting scarcer. This is demonstrated by the fact that during the past three months some $400,000,000 of the world's monetary gold has come to us; although by our government's course such gold has been practically reburied in the ground.

The old monetary systems were designed by creditors for the benefit of creditors. Their constant tendency was to lower prices, so that from year to year it took more and more goods and more and more labor to pay debts, interest and taxes. Thirty-four nations, by going off the gold standard, have registered the judgment that scarcity of money was ruining their national economies. But going off gold was merely a negative act. We must have a definite money policy, a policy which will work to the end that men shall not hereafter be penalized and bankrupted by the fluctuations of the value of money. We need not only to start with a deflation of the purchasing power of money, but we must take steps to keep it from resuming inflation of that purchasing power.

We must correct so far as we can the wrongs already wrought, but we must also prevent the accumulation of new wrongs.

Danger of Inflation

I am ready to admit that there is a danger that we may go too far and run into excessive cheapening of money, so that prices will become too high and have a tendency to mount higher.

That would be inflation.

I believe we can devise ways to give us an adequate volume of money without taking the risk of inflation. But fear of running into another kind of trouble is never an adequate excuse for not seeking to dispose of a present problem.

This we know: that heretofore we have allowed money to rule us, we have permitted a creature of the nation to master and all but ruin it. If we do not master money, including credit, in the interest of national welfare we shall certainly go from bad to worse, despite some temporary alleviation now and then.

If we do not find a way to provide sound and adequate money not only our economic but also our political institutions will be overthrown.

We sometimes forget that our whole modern economy is a complex money economy—not a crude barter economy. In it money is truly the root of all evil and also of all good. To extract the maximum possibilities for good we must get a full understanding of money as a commodity through which all other commodities must move in the process of trade.

If the supply of money is inadequate or unsound with respect to its functions, the whole economy of the nation is injured. It is not enough to have an economy of plenty with respect of capacity to produce, we must have an economy of plenty also with respect to distribution—and the crucial factor in distribution is money.

It is because of my profound conviction of the truth of that statement that I am willing to be called an inflationist, a fiat money man and a financial heretic if I can do something to promote a necessary expansion in the volume of money and its equitable regulation.

Will Congress Open the Doors to Inflation?

By SENATOR BARBOUR

(*Continued from page 547*)

The tragedy of all of the schemes for flooding the country with "cheap money" is that the worst sufferers in the end are the great majority of the people. It is the great group of people who are employed for wages and salaries and the great number of the people who have small savings and small incomes from investments which are the results of toil and thrift, who are disastrously crushed in the inflation panic which takes place when the politicians have put a country on the road of a debased currency which leads to ruin.

Governments have not "made" and cannot "make" money in a country where the people are free to sell their labor or goods or property in exchange for what they are satisfied is equivalent value. They will use for money only that which a free man is satisfied to accept as payment because he is confident that he can in turn, now or in the future, exchange it for as full value in labor or goods or property as he gave to get it. Congress has the Constitutional power to coin money and regulate its value. The implications of this power have supported such departures from coined money as the Civil War greenbacks; but all the Constitutional power of Congress does not and cannot enable it to issue what Congress may choose to call money and make the American people, for any length of time, sell their labor, their goods, or their property for such so-called money at other values for this "money" than those which the people themselves choose to attach to it.

Make Money Effective

One of the things which man has learned how to do as the result of long experience is to make a relatively small stock of real money increasingly effective in paying for volumes of labor, industry, trade and transfers of property which would have been impossible not many generations ago. He has developed an organization of finance, both governmental and private, which enables most of the world's labor, goods and property to be paid for by substitutes for money; various kinds of currency which represent money and are effectually as good as money because, when properly protected, they have been proved to be as good as money, that is, as good as gold.

It is not the volume of currency which a government forces out on its people that promotes a sound increase of trade, industry and employment. Increasing activity of industry and trade, in response to the ordinary motives which actuate man, results in increasing employment, and requires an increased volume of various kinds of currency circulating at an increasing rate of activity. If currency issued from the printing press by the Government is not held down to the actual requirements of trade, industry and employment for a circulating medium; if such currency is not hedged about with all kinds of restrictions which make it as good as gold; if these restrictions do not include provision of an adequate gold basis for the ultimate direct or indirect gold redemption and retirement of the currency; it will never circulate long at anything but an increasing rate of discount from its declared face value. The people are the judges of the real worth of what the Government declares to be money.

If our Government goes along the line of tampering with its credit and

THE GOLD CLAUSE DECISIONS

THE fact that President Roosevelt had prepared a speech for use in case the United States Supreme Court's decisions were adverse to the Administration's monetary program is a striking indication that many important events which may seriously change the status of investments are unpredictable.

When you make an investment, you are exposing your funds to the uncertainties of political, industrial and economic developments. Who can prophesy the coming of a new invention? Who can guess at future wars? Who can foretell the advent of social changes?

Investment Management Service does not claim to have predicted the outcome of this decision or the ability to anticipate the rulings in future court cases. But it does possess the knowledge and equipment to plan in advance the precise readjustments to be effected in each portfolio under its supervision in the event of a decision either favorable or unfavorable to security values.

A reflection of our accuracy in formulating a program in this particular situation is found in a letter just received from one of our clients, commenting as follows:

"I appreciate all the work and effort you have put on my account, and compliment you on the way you have handled it. Your judgment and suggestions have been very fine and you called the turn exactly in regard to what the decision on the gold clause would amount to."

With our trained and experienced staff, our vast facilities and widespread sources of information, we can detect fundamental and intermediate changes which will influence the value of securities, evaluate their significance and then discount their influences in the portfolios we are handling.

Such basic developments are unobserved frequently by the average investor until their results are strongly evident in the changing value of his holdings.

WITHOUT obligation on your part, we offer to send you a confidential, preliminary review of your portfolio if it exceeds $20,000 in value—commenting frankly on its possibilities for capital growth, its income factor and its diversification. Merely send us your list of holdings and objectives in as complete detail as you care to give and we shall explain how our service could benefit you.

INVESTMENT MANAGEMENT SERVICE

A DIVISION OF THE MAGAZINE OF WALL STREET

90 Broad Street — New York, N. Y.

the currency advocated by numerous theorists, it might just as well leave the promises to pay out of the printing on the paper issued from the press. It might just as well print on what purports to be a dollar bill the simple statement: "This is a dollar." No matter what other assertions are printed on the paper in support of the statement, the people will make up their own minds as to how much of a dollar it really is.

The Government's *fiat* is good in many directions. The Government can, in accordance with many of its powers, print on pieces of paper, "Let this be done," or "Let this be so-and-so," and it is done or is accepted as so-and-so. But the Government cannot print on each of millions of pieces of paper, "Let this be a dollar," shove it out to the people as currency and make them take it for any length of time at its face value. The people will soon regard it with doubt and then with distrust and proceed to get rid of it as fast as they can at a persistently falling valuation measured by persistently rising prices for goods, commodities and property.

That is how inflation comes about with all the certain disaster to all the people which is its inevitable result.

Heavy Stocks Hold Back Copper

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used in fact; after years of exposure to air, where other metals would have been completely oxidized, rusted and blown away, copper is as good as the day it was drawn in the wire mill.

Blue Eagle Copper

Our domestic situation is governed by a Code of Fair Competition, under which quotas are assigned to various producers who then sell Blue Eagle copper at the currently established price of 9 cents per pound. During December and January the producers stood aside to allow the market to clean up the scrap or secondary copper which, as always, must move at one price or another. The Code imposes no restrictions upon the producers of secondary copper, but primary producers realize the scrap must be kept down to proper proportions or it will ruin the market as it has done in the past on more than one occasion.

The trading in copper for future delivery on the New York Commodity Exchange is based on the world price and the copper tenderable on contract is not Blue Eagle copper. At present with the copper market apparently on the way up there are opportunities to acquire the metal by taking delivery on the current option, at the same time being able to sell a distant option at a price that shows a profit over and above all expenses, commissions, storage, interest on investment. Using bank credit against warehouse receipts for copper this process could be carried on profitably so long as the spread remained wide enough to permit it. Presumably this situation exists because owners of the metal see fit to make a concession to induce the market to carry part of the load of accumulated stocks.

During December world stocks increased 21,000,000 pounds. The recent trend was reversed. Stocks of refined copper in North and South America increased 26,000,000 pounds while foreign stocks were reduced 5,000,000 pounds. These figures probably do not portray actual conditions as fabricators are apt to carry only minimum stocks over year end inventory taking; but they are significant of the supply load under which the industry staggers. World stocks are estimated at 988,500,000, refined stocks in North and South America being 746,500,000 pounds and foreign stocks 242,000,000 pounds. The reduction of stocks in North and South America in 1934 was 312,000,000 pounds and in 1933, 249,500,000 pounds. World consumption in 1934 is figured at approximately 3,165,000,000 pounds; in 1930, world consumption was 3,428,000,000 pounds; in 1928, 4,018,765,340 pounds; in 1929, 4,169,119,060 pounds, the peak year with stocks being absorbed and the price advancing.

From these figures it is obvious that considerable and sustained success must crown the efforts of the forthcoming parley if the copper industry is to be relieved of the onerous statistical position which currently militates against its recovery. It is true that low-cost producers among our domestic companies are gradually bettering their earnings position but relief from excessive stocks and tremendous potential production must come before substantial recovery.

By way of an important shift among domestic producers, the United Verde, of Arizona, is being absorbed into Phelps Dodge group of properties. Presumably this move is due to the necessity of settlement of various estates of the family of the late Senator Wm. A. Clark of Montana.

There are many traditions which grew up around the Senator and around the mine while between them they piled up a huge fortune. Horace J. Stevens, copper's great historian, said the United Verde "has been lied about more industriously than almost any other mine in the world." The Senator bought the property in 1888; operated it as a close corporation for a number of years, which gave the romanticists their opportunity to build up the fables of extravagant precious metal values.

The mine did have one feature which called for resourceful engineering management. The high sulphur content of the ore generated spontaneous combustion. The smoldering fires in the ore cannot be smothered, because the ore "in place" is much shattered and the air cannot be wholly shut off. The fire does not destroy any copper but requires constant blocking off of parts of the mine.

The property has been shut down since 1931 until just recently.

The Copper Code gives the Phelps Dodge properties,—the Copper Queen, Calumet and Arizona, the New Cornelia at Ajo—a rating of 336,000,000 pounds a year and the United Verde 136,000,000 pounds, thus making Phelps Dodge Corp. the second largest domestic producer.

Where Do Railroad Security Holders Stand?

(*Continued from page* 558)

In taking a glance at some of the more important roads in Group 2, it might be noted that New York Central's short-term loans, both from the banks and the Government, are practically unchanged at a little less than $100,000,000. The deficit after fixed charges for 1934 was $7,682,334 compared with $5,412,514 for 1933. F. E. Williamson, president, says that if the same conditions with respect to operating expenses had prevailed in 1934 as in 1933, it would have been possible for New York Central to have shown a surplus for the former year of between $7,000,000 and $8,000,000. With a substantial pick-up in earnings this company could begin to pay off its short-term loans and the market position of its stock should improve considerably. The company did not borrow to make up the deficit on its fixed charges for 1934.

As for the roads in Group 3, the opinion is quite general that the position of the Chicago & North Western, St. Paul and New Haven is particularly uncertain. The net loss of North Western for last year was $8,276,000, an increase of $400,000 over 1933. The management is confident of its ability to meet May 1 obligations of $4,600,000. Net loss of St. Paul for the first 11 months of 1934 was $14,-

584,000, or $1,700,000 more than for the year before. The opinion has prevailed for some time that this company will have to undergo reorganization again, although it has been out of receivership only about 10 years.

New Haven's net loss for 1934 was $5,532,000, approximately $700,000 more than for 1933. In its last application for a government loan this company had to pledge even its interest in two up-town hotels in New York City and some real estate in Westchester County. This is getting down to "the bottom of the box" as to collateral. It is true, on the other hand, that the R F C has estimated that a 10 per cent increase in gross, carried through to net, would enable New Haven to cover fixed charges. About 30 per cent of its revenues come from passenger traffic, much of which has gone to the bus and private automobile.

In Receivership or Bankruptcy

It is to the railroads in receivership and bankruptcy, as shown in Group 4, that holders of their securities should give particularly close attention. The Bankruptcy Act was enacted with a view to hastening the reorganization of railroads and other companies needing to go through that process. In the opinion of most authorities, it has hindered railroad reorganizations at least. Under the provisions of the Act owners of claims for comparatively small amounts and owners of small amounts of securities of the company may file a reorganization plan with the I C C. The R F C, only as the holder of loans, may file a plan, while the I C C, without any claims, may present a plan also.

Naturally it might be assumed that, with such provisions, many plans would be filed for each company. The contrary has been true. Now only a plan for the Chicago & Eastern Illinois and Missouri Pacific is before the I C C and R F C. Not much has been heard about the former plan, but it is scheduled to come up for consideration soon. The Missouri Pacific plan was proposed by O. P. Van Sweringen and associates. Already it has been rejected by a committee representing the first and refunding mortgage 5 per cent bonds, quite largely because the plan provides in exchange only a 4 per cent bond, of which rate only 1 per cent would be a fixed charge and 3 per cent a contingent charge. Obviously, if this kind of offer is to be made quite generally in reorganization plans, bondholders will suffer severely, and where will stockholders come in? Apparently both the I C C and R F C are in favor of stringent reorganization plans. Although Jesse Jones said recently that it is a good time to begin the reorganization of a railroad, and while there may be considerable talk about tentative plans, it is doubted that much of vital importance will be done until there is a better basis of earnings.

While Senator Wheeler is trying to do something with government ownership of the railroads, it is doubted that he will get much beyond the first page of the newspapers, which, it has been intimated in Washington, has really been his chief objective. Both President Roosevelt and Federal Co-ordinator Eastman are on record as opposed to this undertaking, at least for the immediate future. Chairman Jones of the R F C was quoted recently in the course of a talk with O. P. Van Sweringen regarding the Missouri Pacific plan as saying, "I doubt if we [presumably the Government] will end up owning any railroads."

Among the hopeful signs for railroad security-holders are an increase in gross earnings in January over December and in a substantial gain in February loadings over the corresponding month of last year. Passenger earnings are gaining, with greatly improved trains and reduced fares. The North Western in January made $35,000 over all expenses on its new "crack" train between the Twin Cities and Chicago. Atchison passenger traffic in December was 18 per cent better than in December, 1933, and in January its transcontinental trains carried considerably more passengers than in any other month in three years.

As E. E. Loomis, president of Lehigh Valley, well says, "Awakening on the part of the public is absolutely necessary if the transportation system of the United States is to be saved." How far will the public go to help railroad security-owners? How far will the latter go to help themselves, the public and the railroads?

Business in the Second Quarter

(*Continued from page 549*)

by the urge to speculate in goods.

In weighing the outlook for nearby extension of the present wave of improvement, it is well to bear in mind that the longer range prospects for substantial recovery become more favorable as the months roll by. If greater business activity does not result before long through private initiative, it will be forced upon us by some form of inflation—planned or involuntary.

There is a fairly good chance that this will come through private initiative:

First, because productive plant has been growing obsolete rapidly during the past five years, and modernization will soon be forced through the exigencies of competition. Most of the larger concerns have enough working capital on hand to start renovations without borrowing.

Second, because removal of the uncertainty as to gold contracts should before long open up the market for long-term financing.

Third, because the growing pressure of excess reserves should initiate some form of commercial credit expansion.

Longer range prospects for business activity become more and more favorable with the lapse of time. As to the nearby outlook, the weight of evidence, *pro* and *con*, seem to favor the probability of a topping out of the present rise with the possibility of a marked recession in general business activity during the second quarter. This should be followed by a resumption of the upward trend, the extent of which is dependent on the degree of activity in the heavy goods industries.

Opportunities in Selected Oils

(*Continued from page 565*)

Maracaibo, where the ultimate possibilities are still uncertain due to the extension of the field under the lake in Creole's property. In the Falcon district it has one controlled field of high grade oil with present commercial production. In the Orinoco delta country of eastern Venezuela it has proved one large field of heavy oil which is still undefined in extent. Further, it has large acreage in the delta, where one other field is almost certain to be developed and where two or three additional fields are not at all improbable. It is believed that this stock is a highly desirable investment to anyone who is willing to hold it until the possibilites are more fully developed or until a semi-shortage of crude oil develops and prices respond to it.

There is no intention to cast a slur on any company which has not been discussed in this article, but rather the attempt has been to compress things in order to talk about as many as possible. For instance, there is the group of Mid-Continent companies some of which are as promising as those mentioned. This group depends on the price of crude oil and the price of tank-car gasoline in order to make profits. If it develops that these companies are helped by the control of crude oil production their shares may advance more rapidly than most of the companies here mentioned, but it must be

remembered that rapidity of movement is not a normal characteristic of a good investment stock.

In making selections for investment, one should seek balance and the spreading of the chance as far as possible. Thus one could appropriately select one of the higher priced and one of the lower priced issues to carry together. Suitable combinations might be Humble with Shell, Socony, or Tidewater Associated. Standard of California and Pure Oil is another possible combination. The idea here is to combine companies which are worth while in themselves while each has its stronghold in a different section of the country.

Before concluding that oil is a depressed industry where there is little immediate hope, one should note the implications of the new uses for oil and gasoline which are making their appearance. Only a few days ago in New York the Madison Avenue street cars gave way to gasoline-operated busses. General Motors is about to start building oil locomotives. All of last year's automobiles will be on the road again this year. The present trend in the use of oil products cannot continue very long without requiring crude oil production which is beyond the degree of competitive production that results in low oil prices and low profits to oil companies.

Government Guns Are Trained on Holding Companies

(*Continued from page 555*)

Securities and Exchange Commission, on or before October 1, 1935. Any company failing to register is subject to mandamus proceedings to compel registration.

The Commission is only newly organized, and it already has had laid upon its shoulders such manifold duties that it is difficult to see how it can carry them through to perfection. The imposition of the duties entailed in this bill will make it necessary for the Commission, no doubt, to add largely to its present force, thus increasing the public expense. Indeed, it may well be doubted if, with the tremendous mass of material from the many holding companies, which will be submitted to it, under the Act, the Commission may be able to render a just and accurate decision on each individual company, during the five years in which such company is to be permitted to live.

Once the death sentence shall have been passed, it is easy to see that those who are about to die will have little interest in building up their business or assets. Five years is brief in the life of a great corporation—and most of these companies are large institutions. In fact, where great companies have sought to liquidate it has taken them years to accomplish their aim. It is entirely conceivable that many utility holding companies will begin the process at once, or at least as soon as there has been a judicial decision—which undoubtedly will be sought—as to the constitutionality of the law.

It is easy to conceive of the confusion that is likely to result with a mass of liquidations of so many companies taking place within the short period of a few years. It will establish a precedent in the mortality rate of corporations, the like of which never has been approached in financial history. It has taken these holding companies twenty-five, thirty, forty, fifty years, and even longer, to build themselves up to their present status. Yet they are expected to dissolve, meet the needs of their security holders so that losses may be minimized, return to their constituent parts all in the brief period of five years.

In the case of some holding companies the problem might be quite simple. Where fixed obligations do not render the situation complex, the holding company could merely assign to each stockholder a certain number of shares of stock or fractions of shares in each of the underlying companies in the proportion that the capitalization of constituent companies bore to the capitalization of the holding company. This was recently done when Drug, Inc., dissolved and distributed the stock of its five underlying companies to its stockholders.

But in the case of unsecured bonds, or debentures, it is difficult to see what action would be taken. These debentures are simply the promise to pay of the parent company, are not a mortgage on any properties, and generally have no collateral behind them. The ability of the holding company to meet the obligation of these debentures lies in the earning power of the underlying companies. In complete liquidation, of course, the entire assets of the company would be used, as far as they would go, subject to prior liens of senior obligations. But where the dissolution comprises only the holding company, and the underlying companies revert to their former status or become entirely separate and distinct, what would be the basis of settlement for these debentures? Would these obligations be spread pro rata among the underlying companies, or would it be necessary for the holding company to sell all of its stocks in the separate concerns? If it owned all of the stocks of all the subsidiary companies, it might sell its entire assets, fixed and otherwise. But what if it did not have sole and complete ownership?

All of these questions are confusing, and it is not to be wondered at that the stocks of most utilities, suffering from the uncertainty of possible legislation and the results of such legislation, have dropped in price and that security holders have lost a cool billion dollars.

There is to be considered the opposite plan in eliminating holding companies, of having the constituent companies dissolved and permitting the top holding company to be the operating concern. Such a plan has been talked of in connection with holding companies, and has been considered entirely apart from the bill which would force elimination of the holding corporation. An example of what might happen is shown in the possibility of the simplification of the corporate setup of the Commonwealth & Southern Corp. This company holds control of two other holding companies—the Southeastern Power & Light Co. and the Penn-Ohio Edison Co. As of December 31, 1933, the balance sheets of these two companies—the latest available—showed Southeastern Power & Light 6s outstanding in the amount of $39,175,000, and Penn-Edison with $5,771,500 6s of 1950 and $7,902,000 5½s of 1959, outstanding. These bonds were assumed by the Commonwealth & Southern, and it is believed that the latter is planning to retire these bonds and eliminate the two companies. This is the reason given for the advance in these obligations to the highest price levels for several years. There are other bonds that have advanced under the stimulus of similar expectations, and the threat of forced liquidation of utility holding companies may have something like this effect, for the time, at least, on some of the bonds or preferred stocks of their constituent companies.

It is therefore possible that not all holders of utility securities will suffer by the dissolution of holding companies. If the elimination is made from the bottom upward, as indicated in the above illustration, and the holding company can carry the load, some of the anticipated troubles may be avoided. But if, as in most cases, the process is reversed and the holding company is wiped out, instead of merely changing its status to that of an operating company, there appears to be a thousand and one obstacles. The separation from the owning and managing company of the smaller integral parts cannot be accomplished without, in most cases, adding to the cost of operation of the concerns segregated, and creating less hope on the part of bondholders of recovering their investment, to

say nothing of interest on their holdings, and of stockholders of realizing any dividends.

It may be doubted if many of the individual companies that go to make up the one holding company can operate alone. They have received aid and benefit in innumerable instances from the parent company—particularly financial assistance. In not a few cases they are actually indebted to the parent company. How all of these things will work out under enforced liquidation is something which no one can foretell accurately.

But that it will be a painful and a losing process in a great industry that at one time could boast of the high grade of its securities, can hardly be doubted. And if to this be added the influence of the public propaganda against all utilities—big or little—it may not be too much to say that we are looking on the beginning of the end of a once prosperous business in which billions of dollars have been invested and thousands have been well and profitably employed and from which have come taxes of millions to help maintain the municipalities, the states and the nation.

What's Wrong With the Merchandising Stocks?

(Continued from page 567)

harder, time maintaining profit margins. Their local taxes are up and are likely to go still higher. Moreover, they have been as hard hit as any in the merchandising field by the N R A and its codes. In August, 1933, John McKinlay, president of Marshall Field & Co., stated that as a result of the adoption of the N R A code the company's employees had risen to a total of 22,556, or 5,385 more than were employed in August, 1932, while the monthly payroll was running $377,000 more than at the same time in the previous year. In July of last year, the same man, commenting upon the loss sustained by his company for the first six months of 1934, said that results were disappointing, for sales had increased, although not to an extent sufficient to offset increased expenses and taxes. While this particular company has done much better since the last of these statements was made, they serve nevertheless to impress one with the difficulties that still confront department stores generally.

There are, however, a few department store organizations which have surmounted the difficulties under which the majority have bent. Best & Co. is a case in point. In a preliminary

MARKET STATISTICS

	N. Y. Times	—Dow, Jones Avgs.—		N. Y. Times —50 Stocks—		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, February 11	82.83	102.42	32.74	84.61	83.94	359,047
Tuesday, February 12	HOLIDAY—EXCHANGE CLOSED					
Wednesday, February 13	82.91	102.69	32.61	84.84	84.20	386,445
Thursday, February 14	83.01	103.05	32.61	84.93	84.35	404,946
Friday, February 15	83.09	104.67	32.73	86.02	84.91	726,482
Saturday, February 16	83.00	104.54	32.55	85.78	85.33	353,410
Monday, February 18	83.25	107.17	34.43	59.38	84.96	1,911,190
Tuesday, February 19	83.31	105.89	33.68	88.23	86.67	1,103,010
Wednesday, February 20	83.24	104.97	32.77	87.00	85.42	966,350
Thursday, February 21	83.16	104.86	32.57	86.25	85.31	700,972
Friday, February 22	HOLIDAY—EXCHANGE CLOSED					
Saturday, February 23	82.82	103.25	31.51	85.35	84.27	536,190

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1935 Price Range High	1935 Price Range Low	Recent Price
Alum. Co. of Amer.	52	42½	45¾
Amer. Cyanamid B (.40)	17⅞	15¾	17¼
Amer. Gas & Elec. (*1.20)	21⅛	16⅝	17
Amer. Lt. & Tr. (1.20)	10	7¾	7¾
Amer. Superpower	1¼	¾	⅞
Assoc. Gas Elec. "A"	½	⅜	⅜
Atlas Corp	9½	8	8½
Cities Service	1½	1	1¼
Cities Service Pfd	1½	1	1¼
Cleveland Elec. Illum. (2)	26½	23½	26⅜
Colum. G. & E. cv. Pfd. (5)	64	45	45
Commonwealth Edison (4)	56¼	47¼	54¼
Consol. Gas Balt. (3.60)	59⅞	52⅝	58⅞
Cord Corp. (†.25)	4⅜	3¼	3½
Creole Petroleum	13⅜	11½	11½
Distillers Cp. Seag	18⅞	15⅞	17¾
Elec. Bond & Share	7⅝	5	5⅛
Elec. Bond & Share Pfd. (6)	52½	37½	45
Elec. Pr. Assoc. (.40)	4	3	3⅛
Fisk Rubber	11¼	7¾	9¼
Ford Mot. of Can. "A" (†1¼)	32⅛	28¾	30⅞
Ford Motor, Ltd	9¼	7⅜	7⅝
General Tire	71½	60¼	64
Glen Alden Coal (*1¼)	24	19½	19⅝
Great A. & P. Tea N.-V. (7)	128	122½	126
Greyhound Corp	31¾	20½	30¾
Gulf Oil of Pa.	6⅞	55	56
Hudson Bay M. & S.	13¼	11½	12¾
Humble Oil (1)	50¾	44	50
Imperial Oil (*.80)	17⅛	16⅛	16¾
Lake Shore Mines (*4)	55	48	54¼
Mead-Johnson & Co. (*4)	63¾	60	63
National Sugar Ref. (2)	35	31½	34¾
Niagara Hudson Pwr	3½	3	3⅛
Novadel-Agene (2)	22¾	20¾	21
Pan-Amer. Airways (†.50)	44½	39½	43
Pepperel Mfg. (6)	89½	73	74½
Pitts. Pl. Glass (1.60)	58	53½	54
Sherwin-Williams (3)	90¼	84	88½
South Penn Oil (1.20)	23¾	22¼	23
Swift & Co. (*.75)	19⅝	17¼	18
Swift Int'l (2)	35⅝	31	34¾
United Founders	½	⅜	⅜
United Lt. & Pwr. A	1¼	⅞	⅞
United Shoe Mach. (*4½)	77	70	76
Walker Hiram H. W.	32⅝	25⅝	31

* Includes extras. † Paid last year.

report issued for the fiscal year ended January 31, last, Best showed net sales of $12,542,994, compared with $11,207,839 for the previous year—a gain of slightly less than 12%. On the other hand, and this is the exceptional part of the showing, net profit for the later period after depreciation, reserves and taxes amounted to $953,449, compared with $711,972 in the previous twelve months—a gain of nearly 34%. In other words, Best's profit margin actually increased, and increased substantially, when the general trend was towards a lower margin of profit. The official reason for this showing probably will not be known until the regular annual report is published, but it is to be suspected that Best had relatively few adjustments to make under N R A.

So far this discussion has been largely confined to the basic reasons why the majority of merchandisers have hardly fulfilled their original promise—why their market action has been disappointing. Contributing to this disappointing action in recent weeks, however, has been the more than seasonal decline in sales, following the hilarious Christmas season. The Federal Reserve Board's index of department store sales in January was 72 (preliminary) compared with 76 in December and 73 in November. This index is fully adjusted for seasonal and other variations. In the chain store field, January sales of five-and-ten organizations were actually down somewhat compared with January, 1934: the better dollar sales reported by grocery chains obviously is largely, if not completely, a matter of higher food prices. On the other hand, the showing made by apparel chains and mail order companies this last January, knowing that higher prices was not a factor, must be considered good.

It may sound entirely obvious to say that the merchandisers' prospects depend upon the course of the country's recovery. But there it is. If "recovery" is to continue to be mainly a matter of distributing Federal funds, then it must be considered as being without firm foundation, despite the probability that the merchandisers will do fairly well temporarily: if "recovery" develops any very marked inflationary aspects, investment in merchandising securities will prove bitterly deluding: on the other hand, if there should be real honest to goodness recovery, the better managed merchandising organizations should do well by their owners. In the last case, the one thing about which to worry would be the trend of political thought in regard to taxation.

Dividends & Interest

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of Forty cents (40c) per share on the outstanding capital stock of this Corporation has been declared, payable April 1, 1935, to stockholders of record at the close of business March 8, 1935.

ROBERT W. WHITE, Treasurer

Bonds Go to Record Heights on Gold Decision

(*Continued from page* 559)

ously was of this nature. Even this, however, would occasion no alarm if it were not for the mountain of additional external evidence that bears on the question. In the first place, there is the Government apparently still committed to a policy of higher prices—call it inflation or not, as you like. Secondly, there is still the vast unbalance of the Federal budget, with numerous bills in Congress calculated to put it even more out of balance. Thirdly, there is the move to set up a central bank in everything but name, whose only valid reason for existence is that it enables a government to issue money as it wants. In other words, there continues to be a dark inflationary atmosphere which the Supreme Court decision has tended to accentuate rather than dispel.

The effect upon the bondholder of rising commodity prices is first of all an insidious decline in purchasing power, followed later, as still higher commodity prices are threatened, by rising money rates and a consequent decline (usually moderate) in bond prices. Food prices in 1934 averaged over 11% more than in 1933. Does the bondholder take this into consideration when he pats himself on the back for his paper profits in bonds? It is to be doubted: not that in itself it makes a great deal of difference, but it is a tendency, the accentuation of which, clearly needs to be watched.

Currently, there are, therefore, two strong influences acting on the bond market from different directions. Extremely easy money, making for higher prices, holds the upper hand at the moment, but in the background and of longer range influence there is inflation which, it must be remembered, is something of a threat to bond prices, although a much greater threat to an investor's purchasing power.

Atlas Powder Co.

(*Continued from page* 570)

income rose to $1,125,000 and the common earned $2.49 a share. In the last half of 1934, however, the company was handicapped to some extent by a combination of increased raw material costs and somewhat lower selling prices, as well as a moderate decline in sales. In the initial quarter of the current year, sales should respond favorably to the seasonal stimulation emanating from the bituminous coal industry and it is possible that prices of explosives may be advanced somewhat during the next few months to reflect the higher manufacturing costs. While it must be admitted that immediate prospects do not suggest anything in the way of dynamic possibilities so far as the demand for explosives is concerned, large public works and other government projects should aid materially in sustaining demand this year.

The company's financial position is strongly fortified with cash and marketable securities and at the end of last year total current assets of more than $10,000,000, compared with current liabilities of less than $750,000. Outstanding ahead of the 249,979 shares of common stock are 83,096 shares of 6% preferred stock, on which dividends have been paid continuously since 1915. Total dividends paid on the common amounted to $2 a share last year and there is little question that current payments will not be as much, if not more. At 40, the shares afford a fair return and are not without interesting speculative possibilities for longer term holding.

The Gold Decision and Your Investment Policy

(*Continued from page* 541)

portant than the gold content of the dollar (within reasonable limits) and more important than a Supreme Court decision upholding or negating a gold clause in contracts, is a Government's general attitude towards its money, be backed by whatever it may. In our own case, the Government's general attitude towards money is still distinctly inflationary. No attempt is being made to balance the budget: indeed, every effort is being made to further unbalance it. And then there is this new banking bill which would have the effect of making the Federal Reserve System a governmentally-controlled central bank in everything but name. Now, the new banking structure might or might not in actuality be used to inflate, but the fact remains that it could be so used at the whim of politicians. Past experience in many other countries has proved definitely that politics in control of money is not a satisfactory arrangement.

Unfortunately, our Government has gone so far as to arrive at a point between the Devil and the deep sea. It is politically impossible to stop now much of the spending, for a man once on relief or otherwise aided by any body politic automatically acquires a vested interest therein. On the other hand, to make revenues balance expenditures means a great increase in taxation and this clearly is extremely deflationary, and equally impossible. Practically, therefore, it seems that we must continue to go along as we are doing at the moment—borrowing the difference between outgo and revenue. How, when, or where it will end, who can say?

Such a situation gives the stock market a distinctly inflationary background, which is there, and to some extent operative, regardless of whether the immediate business outlook is favorable or the reverse. While no one should believe that common stocks are a complete safeguard against future possibilities, a long-term holder still has every reason in the world to do what his near-sighted brother logically might not do—hold them.

Labor Stands at a Crisis

(*Continued from page* 551)

other labor dispute. The ground is littered with spineless boards and toothless N R A agencies intended to deal with disputes, but there are few deals.

Boards and More Boards

First there was the National Labor Board, established by the President in August, 1933. It was bi-partisan—had three labor members and three industry members, with Senator Wagner as a supposedly neutral chairman. Its business was to compose labor disputes arising under N R A. Under it were 19 regional boards, similarly composed. This Board had the unlimited right of counsel in labor disputes but no enforcing authority, even though the President finally gave it his authority to settle all disputes under the N. I. R. A. Was the authority compulsory? Doubt existed. Next Congress (Public Resolution 44) authorized the President to set up in succession to his N L B the National Labor Relations Board. But even it does not have legal standing. It can pull down a blue eagle, while the offender cynically laughs; but the Attorney General and the compliance division of N R A had all the enforcement—and they have kept most of it; at any rate it has not been impaired by use. But this body does not fill the whole field of labor dispute composition.

Under the Wagner resolution the President has appointed boards for par-

ticular industries. There are, besides, particular boards under N R A codes, or independently. The particular boards include the National Longshoremen's Board, the National Steel Labor Relations Board, the Textile Labor Relations Board, the Cotton Textile Industrial Relations Board (succeeded by the Textile Labor Relations Board, the National Bituminous Coal Labor Board, the Petroleum Labor Policy Board and the Automobile Labor Board.

When Labor Walked Out

The final break between the President and the A. F. of L. came when the former extended the life of the Automobile Code, the extension carrying with it the Auto Board, whereas the A. F. of L. wanted jurisdiction over disputes in the motor industry transferred to the National Labor Relations Board "pending appointment of a non-partisan board under the Wagner resolution." A. F. of L. has always been suspicious of this Board and fears that its brain-truster, chairman, Leo Wolman, is now experimenting on auto labor, as a white rat, for a new cure for labor maladies. The President has directed the National Labor Relations Board to keep off the grass of any case arising under a Code which provides a means of settling labor disputes. The Board has jurisdiction over the Textile Board, but probably not over Steel and certainly none over Code labor agencies. The last was discovered by N. L. R. B. for certain when it interferred with Newspaper Code in the case of a San Francisco reporter who lost his job, it was alleged, because of his offensive activities in the cause of the Newspaper Guild. There are 12 Code labor boards which have a free field, under this ruling. Then there are the four particular Presidential boards—steel, automobile, longshoremen and textile—and seven established by Administrative order. Also there is N R A's own elaborate compliance system, which deals administratively with labor as well as other violations of codes. And in the settlement census there are to be included N R A Labor Advisory Board, the labor mediators of the Department of Labor, and the National Mediation Board—established by Congress long ago to deal with railway labor troubles. This is a field entirely outside A. F. of L.'s jurisdiction.

Feeling is running high. The President is undoubtedly in bad with the A. F. of L. and Henchman Richberg has been called a traitor to labor, but radical laborite Madam Secretary Perkins seems to be standing with the President and Donald. Rumor has it that something new and strange will come out of the present mess. Direct organization of labor by the Government is talked about. If so, exit for A. F. of L. Enter, perhaps, a wedge of Fascism. Labor leaders say that the Government is strong on conciliating labor after it has decided against labor, and strong for making surveys and ignoring their findings. (See N R A report on labor in the auto industry.) Regulars may find their chief casualty list in autos. The workers turned thumbs down on the regular unions—and yet are getting big pay and plenty of work. Steel is similar.

Outlook is for strikes galore if industry becomes more active. There will probably not be a serious one in the auto industry, though, because the elections there have shown that the regular labor unions are as weak as cats in that field. So were they, measured by members, in the cotton textile industry, but the chances are that no similar strike to the textile one along terroristic minority rule lines, can get far in any industry this year. The President's policy (which may, of course, change at any moment), is to soft-pedal strikes and trouble-making legislation until recovery is firmly in the saddle. After the crisis is over labor can have its way so far as he is concerned or involved.

Expedience rules in the White House now.

It doesn't rule in the A. F. of L. Labor wants its "rights" and wants them now. That is, it says so. "But notice," said a labor observer, "that the loudest squawking is coming just now from the leaders of unions which have composed their differences with employers. The boys who still have labor troubles on their hands are not so vocal." The latter sense—since the San Francisco general strike—a militant public opinion that will smash any organization which rocks the boat too far.

"We don't want to drive the President to an appeal to the country over the radio," said a labor spokesman. Besides, the Secretary of Labor has publicly stated that the national pay envelope is bulging weekly with $60,000,000 more than it had two years ago. Labor, as a whole, will spend quite a few of those envelopes before it is ready to turn the gunwale under the waves. And it may get about all it wants from Congress, although in the getting it may wreck the President's relief-recovery program. But perhaps that would not wreck recovery.

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

INDUSTRIAL

	Bid	Asked
American Book Co. (4)	59	63
Babcock & Wilcox (.40)	32	34
Bon Ami, B (*13)	43	46
Canadian Celanese	20¼	22¼
Carnation Co.	102½	....
Colt Fire Arms (*1½)	28	28½
Crowell Publishing Co. (1)	20	21¾
Dictaphone Corp. (.25)	21⅞	23⅝
Fajardo Sugar	75	80
National Casket (3)	51	55
Northwestern Yeast (12)	110	115
Scovil Mfg. (1)	21⅛	22⅛
Singer Mfg. Co. (*4½)	240	245
Wilcox & Gibbs (1)	15	25

PUBLIC UTILITIES

	Bid	Asked
Alabama Power Pfd. (7)	48¼	50¼
Carolina Power & Light Pfd. (7)	61	63
Central Maine Power Pfd. (7)	45½	47½
Columbus Rwy. Pwr. & Lt. Pfd. (6)	73	75½
Consumers Power Pfd. (5)	86¾	88½
Dayton Power & Light Pfd. (6)	95¾	97¾
Jersey Central Pwr. & Lt. Pfd. (7)	58½	61
Kansas Gas & Electric Pfd. (7)	81	83
Metropolitan Edison Pfd. (6)	81	....
Nebraska Power Pfd. (7)	97½	98¾
New Jersey Pwr. & Lt., Pfd. (6)	77	....
Ohio Public Service Pfd. (7)	73	75
Pacific Gas & Elec. Pfd. (1.50)	20¼	21¼
Pacific Power & Light Pfd. (7)	39	41
Puget Sound Pwr. & Lt. Pfd.	14	16
Tennessee Elec. Power Pfd. (6)	43	45
Texas Power & Light Pfd. (7)	79½	81½
Utilities Pwr. & Lgt. Pfd.	5½	7½

TELEPHONE & TELEGRAPH

	Bid	Asked
American Dist. Tel., N. J. (4)	76	....
Mountain States Tel. & Tel. (8)	107½	109½
Northwestern Bell Pfd. (6½)	112	114
Peninsular Telephone	7½	9¼
Southern New England Tel. (6)	106	108

* Includes extras.

As I See It

(Continued from page 539)

also for those who "corner" commodities and for those who withhold needed goods from the market.

In the course of the same verbose edict the benevolently regimenting emperor pays his respects to the speculator, "who ever hope for poor crops since they consider it a personal loss for abundance to come to the world by favorable moods of the sky itself." He also pays his bitter respects to the rich, "who individually possessed of immense fortunes, which might have enriched whole peoples to their hearts content (redistribution of wealth) seek private gain and are bent upon ruinous percentages."

These ancient A A A, N R A and P R A decrees, like his ambitious Pub-

lic Works program, came to naught except bloodshed, civil tumult and the dislocation of the economy of the empire. They were vetoed by their own ineptness, but the futile experimentation brought in such an army of tax collectors and administrators, who ever after remained, that the Empire was no longer economically able to support the wars of conquest that had formerly enriched Rome and extended her boundaries. "From this period to the extinction of the Empire," says Gibbon, "it would be easy to deduce an uninterrupted period of clamors and complaints." Even in the life of the benevolent emperor, it is written by another historian, Lactantius: "While Diocletian, that author of ills, was running all things, there began to be fewer men who paid taxes than there were who received wages (from the government), so that the fields of the husbandman being exhausted by enormous impositions, farms were abandoned, cultivated ground became woodland, and universal dismay prevailed."

The 1935 reorganization of American economy, it is true, is paying wages ("benefits") to the husbandmen, as well as to the tax-collector and the deputy administrators, but the new-fangled commodity tax takes part of these wages out of his own pocket and part of them out of the increase in his general taxes. It is also true, that the modern codes unlike Diocletian's repressive *maximum* price, extend to the merchant and manufacturer a *minimum* cost protection price. But both the farmer and the man of commerce and industry are under an official temptation if not a compulsion to produce less wealth for more compensation. Our current regulated economy would force prices up, and Diocletian's forced them down, but both ways point finally to the same end of diminished wealth. Both are manifestations of the fact that a money economy and a socialistic management are incompatible. They also remind us that humanity, being renewed from generation to generation, eternally forgets its lessons of experience and regularly repeats its age-old economic mistakes.

The quest for something new is eternal, and the dangers and pitfalls of abandoning one system for another are always obscure until too late. Broad changes within the framework of our present economy are disturbing enough without courting the downfall which overtook Diocletian's regime and which threatens us today in attempting a regimentation of business and a socialization of wealth.

With Our Readers

(Continued from page 533)

of the first to have ignored the matter of dividends to stockholders. Several of my neighbors are also shareholders in this company—most of them are white collar workers and widows—but none of them is starving as yet. Unless I am sadly mistaken, insurance company public utility investments are centered in the underlying bonds and preferred stocks of sound operating companies.

To rub matters in, one of the operating companies, controlled by the financial pyramid in which I am a stockholder, serves, among others, the locality in which I live. We have been favored with one rate reduction in the past five years of severe deflation—and that reduction was put through only to forestall a real reduction that was being urged upon the public service commission. The company announced this magnanimous reduction with considerable fanfare, and public spiritedness bunk, but I later found that it made a difference in my favor of approximately seven cents a month, a reduction of about 4 per cent, whereas my earnings had been reduced 25 per cent!

"My company" is now beseeching me to write to my representative in Washington, to tell my friends, to shout from the house-tops and to pray that my "investment" be saved from the ravages of municipal ownership. I fully appreciate the evils of government operation of our public utilities, but having had plenty of experience with private ownership, I am willing to take my chances with government control, as politicians can at least be voted out of office every few years, whereas directorships of "publicly-owned" utilities appear to be hereditary.—E. G., Los Angeles, Calif.

We hold no brief for the public holding companies that have merely drawn down unearned money from their operating subsidiaries, but we do believe that there are a number of holding companies that have justified their existence by rendering valuable services to their operating units that have enabled these latter units to improve service and lower costs to their customers. That the public utilities, both operating and holding companies, have had no great regard for good-will is obvious. However, we believe that our reader is over optimistic in stating that politicians can be voted out of office every few years. Policitians are as constant and inevitable as taxes and death.—Ed.

Happening in Washington

(*Continued from page 543*)

Huey Long stumbled into favor with those who despise him when he took up the fight on Farley. There is a ground swell of indignation throughout the country at the abuse of patronage in the various emergency agencies of government. Public opinion is revolting at the spectacle of the people's money, poured out in unstinted measure to promote recovery and relief, being prostituted to a boss's political machine.

Administration apologists contend that it is merely moving in sympathy with the times, but that unlike all other "new deals" abroad it is conserving both capitalism and democracy. An agent of British investors who was recently in Washington said that it was his judgment that, after all, the United States was the safest place for private property. But that was before the gold decision.

Foreign representatives in Washington, regardless of how nationalistic their governments may be, privately commend Secretary Hull's effort to break up frozen international trade. They say that a continuation of economic nationalism means a lower standard of living in all nations, plus increasing danger of war. What can not be attained by the free play of trade, they say, must be eventually gained by the sword. From an economic point of view, said one, Waterloo was a mistake. But domestic cynics comment that all the foreigners are interested in is the breaking up for them of the ice of American markets.

In the Next Issue

The Owners of the Country's Leading Enterprises

By George M. Rathbone

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